THE MAGAZINE OF WALL STREET

SEPTEMBER 30, 1933

Soundest Investment Policy for Coming Months

By A. T. MILLER

The Gold Boom Goes On

By J. C. CLIFFORD

Can Consumption Be Forced?

By THEODORE M. KNAPPEN

C. G. Wyckoff
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VOL. 52 — No. 12

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Vol. 52 No. 12 **September 30, 1933**

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SUBSCRIPTION PRICE—$7.50 a year in advance. Foreign $8.50. Canadian $8.00. Please send International Money Order or U. S. Currency.

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EUROPEAN REPRESENTATIVES—International News Co., Ltd., Breams Bldg., London, E. C. 4, England.

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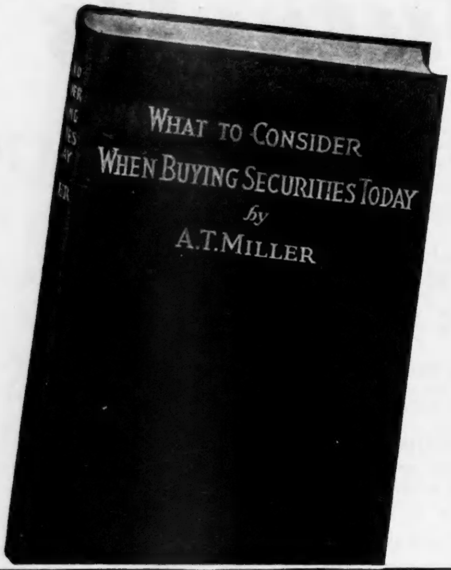

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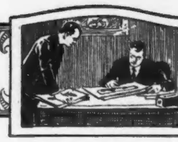


The Greatest Investment Risk

IT is said that nothing is certain but death and taxes. To this we would add another certainty, and that is the certainty of change. The only constant in life is a variable—evolution. As invisible from moment to moment as the growth of plant or animal life, its processes are steadily at work all around us. Among all elements of life the fittest move forward, the weak fall behind. It is hard to detect the gradual changes. We awake to them with surprise when the retrospect of months or years reveals the totality of change in glaring outline.

Industry is a living thing, since it is actuated by the mind of man. It is, therefore, a constantly changing thing. Corporations are living things. They, too, forge ahead of their competitors or fall behind; survive or die; constantly change. It is the probability of change that represents perhaps the greatest investment risk in corporate securities. The investor who would keep this risk at a minimum must not only give careful study to it before making his commitment but must ever afterward be alert and watchful. Changes in a company's trade standing are usually faster and more easily seen than changes in a whole industry. The stockholder should not fail to compare his company's periodic reports of sales and earnings with the reports of competitors.

This lesson was brought home strikingly to us recently when we chanced to run across a list of quotations of leading stocks on October 29, 1929, that memorable day of collapse and record-breaking trading. We suggest to our readers that a profitable half-hour can be spent in going over the stock quotation tables of that memorable time. The changes wrought in four years speak for themselves.

On October 29, 1929, a day when most of us were wrong in thinking nearly all stocks cheap, Hudson Motors sold at 45, Studebaker at 46, General Motors at 40 and Chrysler at 33½. Since then the trade position and earning power of General Motors and Chrysler have been greatly strengthened at the expense of the rest of the industry. Today Chrysler sells at 52, or substantially above the level of that panic day in 1929, and General Motors has recovered to 35. Hudson is quoted at 15 and Studebaker at 6.

There are other striking changes. How the motion picture issues have faded! Paramount on that black 1929 day crashed down to 40, but its lot grew blacker yet, for its receivership certificates now sell at 2. Warner Bros., then at 44, is now at 9. For utilities as a whole, for the railroad group and for most steels those 1929 panic prices still look high. Consolidated Gas then sold at 91½, today at 44; Columbia Gas at 63, today at 16; United States Steel at 174, today at 55; New York Central at 189½, today at 47; Baltimore & Ohio at 114½, today at 33.

On the other hand, indicative in some instances of inherent stability and in others of improved prospects, American Can sold at 120 then and is now 97; Standard Oil of New Jersey was 57¾, against 42 now; Atlantic Refining 35, against today's 31; General Foods 40, against 39 at present; and United Aircraft 41, as compared with 39 today.

Nothing is certain but death and taxes—and change.

In The Next Issue

Practical Lessons from European Inflations

—What caused them?
—What were the effects?
—How were various types of securities effected?
—In what ways can the present situation in the United States be likened to them?

By MAX WINKLER, PH.D.

Can the Banks Meet the Challenge of the Present Emergency?

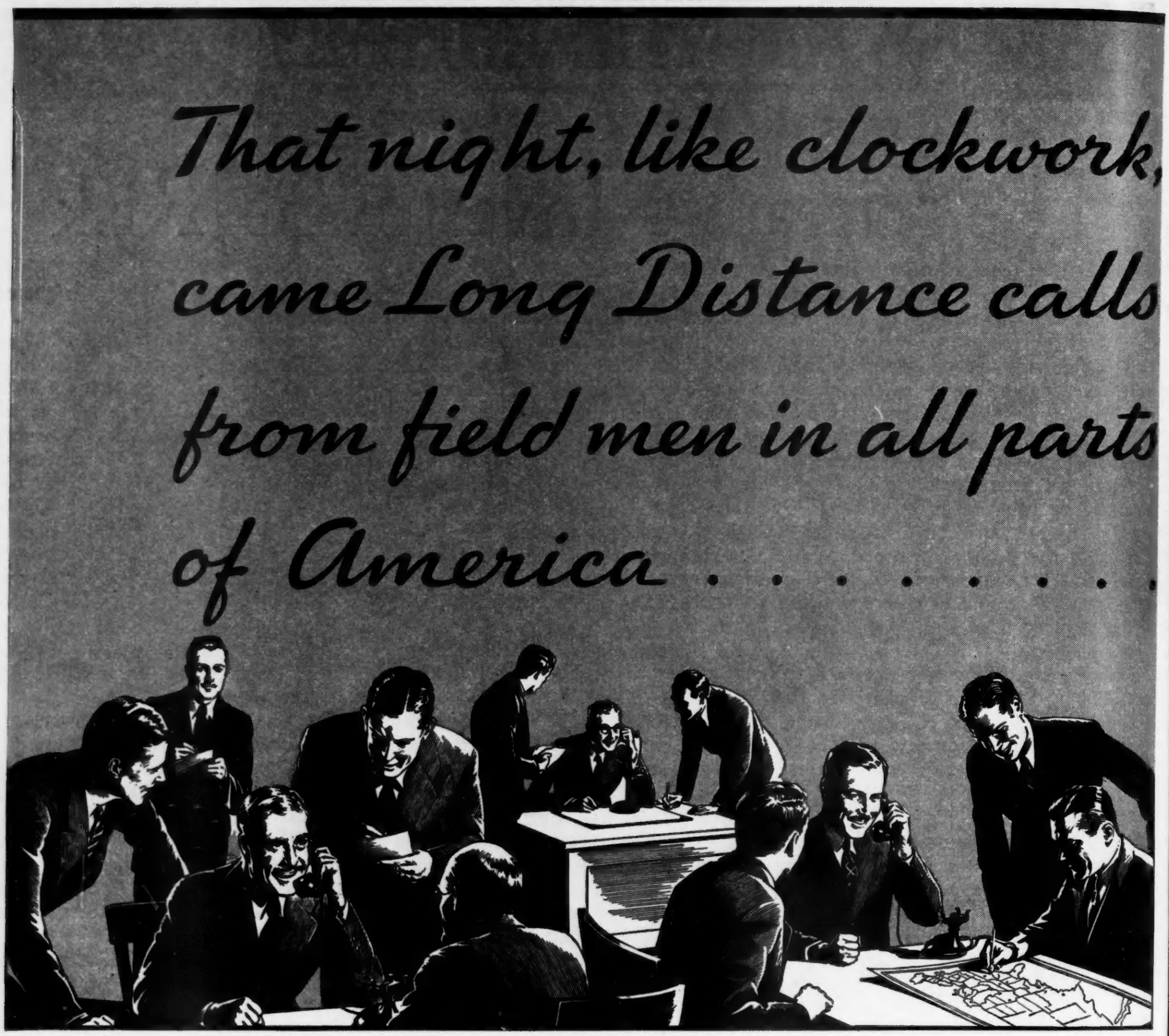
By THEODORE M. KNAPPEN

Safe Hedges Against Inflation

By J. C. CLIFFORD

Public Utilities at the Crossroads

By FRANCIS C. FULLERTON



Because Long Distance gets things done quickly and definitely, and cuts costs in many ways, it has the approval of executives in every line of business. It is their long right arm . . . in getting quick delivery on purchases, in contacting dealers and distributors in distant cities, in handling important administrative matters.

An opportunity to discuss all details

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Atlanta	Louisville	1.45	1.25	.85
Chicago	Boston	3.25	2.65	1.75
Denver	Detroit	4.25	3.50	2.50
Los Angeles	St. Louis	6.00	4.75	3.50

Where the charge is 50 cents or more, a federal tax applies as follows: $.50 to $.99, tax 10 cents . . . $1.00 to $1.99, tax 15 cents . . . $2.00 or more, tax 20 cents.

E. Kenneth Burger
Managing Editor

C. G. Wyckoff
Publisher

Theodore M. Knappen
Associate Editor

The Trend of Events

- *New Deal for New York City*
- *Help for Cotton*
- *Employment Gains*
- *High Salaries Clipped*
- *Price Chiseling*
- *The Market Prospect*

NEW DEAL FOR NEW YORK CITY

THROUGH his practical political lieutenants, headed by Postmaster General James A. Farley, President Roosevelt has quietly given the word that means a New Deal for New York City. If we are not badly mistaken, the present leadership of Tammany Hall is as good as dead. Notice has been served that if Tammany insists upon its present candidate for Mayor the support of the Federal Administration will go to a strong independent Democrat, probably former Mayor Joseph V. McKee. That the dominant political organization of the nation's metropolis is to be overhauled is not surprising. It will be recalled that Tammany opposed the nomination of President Roosevelt, that it opposed the nomination of Gov. Lehman and that Tammany Representatives in Congress have been less co-operative than the President might desire.

The impending change is of national importance, if for no other reason than that more of our citizens live or work in New York City than in most states. It should greatly improve the city's credit and the standing of its bonds, which are held by many fiduciary institutions. It may mean tax relief for over-burdened real estate owners. It may mean an intelligent solution of the city's rapid transit muddle. It probably will mean abandonment of the municipal effort to tax stock transfers and gross incomes of brokers on business transacted for New York City residents. But it is not so certain that such a change will induce members of the Stock Exchange to abandon their purpose of moving over to New Jersey. Having been provoked to this action, the brokers find the prospect more and more attractive and wonder why they didn't think of it before. Regardless of what New York City does, they can save fully $30,000,000 a year for their customers on New York State transfer taxes by moving just across the Hudson River. The building which houses the Stock Exchange is of secondary importance. The stock market is wherever accredited brokers choose to assemble and trade. The determination of brokers to transfer a large proportion of present security business to New Jersey is a perfect example of the law of diminishing returns as applied to taxation. Moreover, it will also result in depreciation of real estate values in lower Manhattan.

HELP FOR COTTON

THE cry of the Southern cotton planters for immediate currency inflation and higher cotton prices has been met promptly by President Roosevelt—but not by any means as the radical inflationists desired. The President announces that in order for the farmers to get the benefit of a higher price for the cotton which they now hold the Government will lend 10 cents a pound—above the recent market price— on condition that each borrowing farmer pledge himself to reduce 1934 cotton acreage 40 per cent under the average acreage of the last five years and to reduce 1935 acreage up to 25 per cent under this base. This is planned economy with a vengeance. It may disturb those whose political philosophies are still rooted in a dead past, but it is infinitely preferable to so unintelligent a method of price-raising as fiat inflation. It is logical in seeking to reduce a crop surplus as a means of lifting the price. Success will be assured if the farmers live up to their pledges, for this would permit an unwieldy cotton carry-over to be worked off gradually and the resultant price advance probably would make the Government's loans at 10 cents a pound reasonably safe. If the farmers do not live up to their pledges they will not be deserving of further help from Washington.

EMPLOYMENT GAINS

THE report of Secretary of Labor Perkins that 2,250,000 men and women have left the dreary ranks of the unemployed and have returned to jobs since last March is cause for gratification. During the month of August 750,000 were put back to work. One could rejoice—were it possible to hope that this rate of gain will continue. Unfortunately, there is little reason to believe that it will. It will not be enough that the trend of employment continue up, if the pace be too slow. The major part of the employment upturn expected of N R A has now been experienced. It is no secret that, important as it is, it has not come up to the original hopes of Washington. Moreover, industrial activity, after reaching a peak in July, has thus far failed to develop renewed vigor in the traditional fashion of this autumn season. A sagging or static trend in production does not promise enlarged payrolls. In addition, we are confronted with the unfortunate reality that employment and activity in the capital goods industries remain at a depression level. Despite the improvement recorded, estimates of the total still unemployed range from 8,000,000 to 11,000,000. Even the lesser of these two figures presents a serious problem as winter approaches. One thing is certain. Our unfortunate millions will not starve. Politically and economically, we are in an age of ever-broadening socialization. We do not profess to know what action will be taken, but we will not merely drift. Either the taxpayers of the nation will be called on for heavier relief expenditures, directed from Washington, or business and industry will have to find ways of employing more of our people. In the light of stark reality, the 30-hour week—objective of the American Federation of Labor—appears less and less radical, less and less visionary.

PRICE CHISELING

RETAIL merchants are confronted with a difficult problem. There has been a substantial advance in the cost of their goods and in their payrolls. Some increase in retail prices is clearly justified, yet the degree of justified or supportable advance in individual cases is one of nice judgment. Retail profits depend upon volume as well as price. If price outruns consumer buying power, trade will stagnate. By the end of August retail prices had advanced nearly 19 per cent. It is probable that September has carried the aggregate increase to 30 per cent. The results are already apparent. Department store sales during September have not been as good as was hoped. Adverse weather may have something to do with it, but not all. Many consumers literally followed the injunction of retail advertising and stocked up in August at reasonable prices. This fact may also account for some of the current recession. Nevertheless, there is still another reason. The higher prices have met with a marked consumer resistance. This in itself will probably tend to put a quick curb upon such profiteering as exists. In some instances the asked prices are higher than wholesale costs justify. To this extent they gum the wheels of progress under N R A and the Government's recovery program.

HIGH SALARIES CLIPPED

THE reduction-of-fancy-salaries movement continues in full force. We see that W. W. Atterbury, president of the Pennsylvania Railroad, in compliance with the request of Co-ordinator Eastman, asked his directors to reduce his salary from $109,000 to $60,000 a year. This the directors have done, at the same time pointing out that by this action they in no wise surrender their right to fix officers' compensation. Likewise G. M. Dahl of the Brooklyn-Manhattan-Transit Corp. will receive after October 1 a mere $40,000 a year, compared with the sum of $135,000 which he was getting at the beginning of this year. Stockholders and the public in general will find no fault with this movement. It is all very well to point out that tremendous salaries are justified by the special kind of genius it takes to manage a property worth many millions of dollars, even billions of dollars. But in the broader interests of common justice there is no place for such salaries. Workers have lost their jobs. Others have suffered a reduction in wages which meant a hundred times more to them in deprivation than their officers could even imagine in connection with themselves. And what of the poor stockholder? He has seen his dividends cut, often swept away altogether; must he continue to pay his employees as much as $100,000 or $200,000 a year?

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 562. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue. Monday, September 25, 1933.

As I See It ~ By Charles Benedict

The Greenback Route to Ruin

SENATOR THOMAS of Oklahoma proposes to march on Washington at the head of a million farmers to demand a flood of greenbacks. Senator Harrison of Mississippi declares for a dirt-cheap dollar so that people can have their pockets filled with fat rolls of currency. The dollar is cheapened in the markets of the world at large; so these gentlemen can't see why the American people shouldn't enjoy an equally cheap dollar at home. They aim for revived purchasing power; but how long would that desirable end be retained if it is achieved by means of fiat money? If little work and small wealth are to yield much cash, is it not equally to be expected that much money will acquire but little in goods or services?

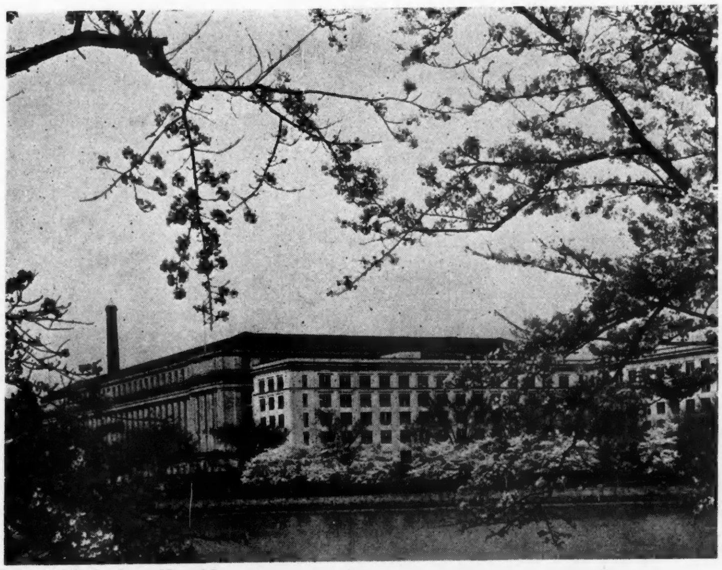
Germany and France played with cheap money after the war, and the one thing they are united on today is astonishment that the United States should even think of taking the printing press route of making money plentiful. Germany printed money until it fell so rapidly in purchasing power that a taxicab driver could not tell you the amount of the fare until he consulted mark quotations at the end of the tour. In November, 1923, a mark—nominally about equal to a quarter dollar—was so cheap that it took 2,500,000 marks to equal a dollar. Finally the mark became so valueless that it could not pay the cost of its own printing; whereupon it vanished from the realm of value and was printed no more. There was no money in Germany. France ran the note issues of the Bank of France up to 58 billions of francs as compared with less than six billions before the war, the 19-cent franc dropped to two cents, and the best that could be done was to return to sound money at 4 cents, leaving the investor class to take a loss of 80 per cent. Germany lost all her working capital and all her bond and mortgage investments and France most of hers, except what was saved by transfer in time to foreign countries. The people in both countries had their pockets bulging with cash but it gave them only poverty. The farmers paid off their debts, to be sure, but when the end came they had no cash, nothing to sell, their soil was worn out and their machinery used up and irreplaceable. Within five years the government had to come to their rescue in Germany. In the long run, fiat money inflation is apparently no more advantageous for the farmer than for anybody else.

We will concede the desirability of a higher price level for all of us; but let us take care by what means we attain it. It is certain that we can not go back to the dollar we had before we went off the gold standard. In the not distant future we shall return to gold at a lower gold content of the dollar. That will remedy the injustice of low prices for the farmer so far as any tinkering with money can do it. But no dollar, whatever its content, will remedy the economic unbalance which put twelve million men out of work and reduced the business life of the nation to a mere trickle. What this country needs is not more money but more use of money.

But the inflationists put all the blame on the banks because they refuse to finance recovery and contend that the Government must put money directly into the pockets of the people. The certain way to do that is for the Government to pay all its expenses with newly printed paper money. But it is by no means certain that the purchase or retirement of government obligations by greenbacks, as authorized under the Thomas Amendment, will put money into farmers' pockets. So, now we have a clamor for outright government financing of public works by paper money instead of by bonds. A plausible argument is advanced that government notes issued to pay government bills are no more than borrowing without interest. So, why borrow and pay interest? It is too easy.

Admittedly, if our total budget, both the current expenses and the long-term capital budgets, were in balance, this country could stand a billion or two of such money. But

(*Please turn to page 603*)



Bottrell Photo, from Nesmith

The U. S. Bureau of Printing and Engraving Where Paper Money Is Made

Sound Investment Policy for the Coming Months

Discrimination in Stocks Bought or Held Is Vital as Selectivity Increases

By A. T. Miller

Neither the business prospect nor the present policy of the Administration justifies reckless or indiscriminate buying of common stocks. On the other hand, there is justification for the prudent to hold firmly to tangible properties, including selected sound industrial equities. Additional holdings may be acquired with available funds in any period during which market weakness offers advantageous levels for purchase.

A REACTION of considerable scope, although probably of intermediate character, has swept over the stock market at this writing. It is the culmination of nearly a month of uncertainty as to industrial and trade developments, corporate earnings and the Government's monetary policy. Of these factors, the third—jig-saw puzzle of off-again-on-again-goin'-again inflation — undoubtedly is chiefly responsible for the current unsettlement of security prices and confusion of opinion.

The decline thus far presents no indication of major significance, although it represents the sharpest concentrated selling movement since the speculative smash of late July. There are, however, important differences. Of possible favorable inference, it can be pointed out that, technically, the prevailing speculative structure is far less vulnerable than that of last summer. The July debacle was the aftermath of weeks of roaring activity in which both public and professional speculation over-reached itself. Since then there has been no similar activity in the market. Trading volume currently has expanded to something above 3,000,000 shares a day. While this is a sharp increase over the pace prevailing during most of August and the first three weeks of September, it is little more than a third of the volume attained during the July break.

Weak Groups to Avoid

There are other differences, perhaps subject to less favorable inference. Both in rally and reaction since July the market has become increasingly irregular and selective. The public utility group, which ever since July had shown a conspicuous inability to rally, has broken decisively through the lowest level of July and, in fact, has cancelled all but a small part of the gain from the bottom of last March. Not a few issues are within 1 to 3 points of the year's lowest quotations.

The railroad stocks, aided by expanding freight traffic, recovered an average of nearly 10 points during August, but made their high in the last week of that month. Thereafter their action became noticeably negative, their failure to participate in recurrent rallies of the industrial stocks offering the first hint of approaching general reaction. Currently the rails constitute the weakest group, their average price level having virtually duplicated the lowest point of the July relapse.

In recovery during August and the greater part of September industrial issues made the best showing. Likewise in decline, they have thus far exhibited the strongest resistance to pressure. Even as to this group, however, generalization becomes increasingly difficult, for the movement is no longer uniform. The performance of steel, dairy and chain grocery stores—the latter adversely affected by higher costs under N R A—has not been encouraging.

A fortnight ago, forecasting a period of uncertainty, this article advised purchases during reactionary movements and emphasized the necessity of exercising increasing discrimination as to the character of securities selected. It is perhaps worth while at this time to offer more detailed recommendations.

We do not favor fresh purchases, either long-term or intermediate, of utility stocks. We advise that the more speculative issues, especially stocks of holding companies, be switched into high-grade industrials. On the other hand, we see no need for haste in disposing of long-held investments in sound operating companies. Some such issues now show tentative signs of resistance to the selling pressure which has persisted for weeks. Possibly they have gone far toward discounting threats of rate cuts and a generally unfavorable political setting. Yet if one believes that a period of inflation lies ahead of us—we will forego discussion of this for the moment—utility stocks, with a rigid or declining rate structure underlying them, do not provide the most assured protection against depreciation of capital funds.

We believe that the relatively unfavorable behavior of railroad stocks is due both to a slackening in the recent rate of gain in car loadings and to a growing realization that, despite their notable advance from depression lows, these stocks, like utilities, are less desirable than sound

industrials in an inflationary period. They are subject to intensive governmental regulation and their rate structure is inelastic. We do not favor purchases of rails, either long-term or intermediate. We recommend that speculative rails be switched into industrial stocks. Sounder rails should be held only if one is willing to accept the probability that their recovery to anything like normal prices will be retarded, rather than helped, by inflation.

Discrimination Among Industries

Sound industrial issues present the double advantage of being in a position to reflect enlarged earnings in normal recovery and to discount in most effective measure any possible monetary depreciation. The recent action of this group suggests the wisdom of a cautious policy as regards steel shares, dairy stocks and shares of the grocery chains. There is a hint for caution also in the present action of the motor and related issues, for which the best selling season is now ending. Recent action of leading chemicals, tin container stocks, gold and mineral stocks has been relatively favorable. Industrial equities analyzed in this and other recent issues of THE MAGAZINE OF WALL STREET are recommended for scale-down accumulation in any further periods of market weakness.

Various explanations have been given for the market's failure to renew and extend the major trend of advance at this time. We think the causes are by no means mysterious. Considering the scope of the unseasonal summer gains, industrial production has not fared badly. The sagging tendency of recent weeks in the more important indexes has, in fact, slackened to a moderate extent. Yet the fact remains that this is the season of the year in which more vigorous recovery is normally expected. The abscence of a dynamic forward movement in industry is a handicap to rising stock prices. Moreover, retail trade, now the most important battle front in the national drive for recovery, has, with the exception of automobile sales, failed to come up to the hopes previously entertained, partly due to unfavorable weather during part of September and partly due to consumer reluctance to meet higher prices. In addition, the fact that consumers apparently did much forward buying in August, emulating wholesalers and merchants in beating the price gun, probably accounts for a temporary recession in buying at present.

Lacking adequate tangible support in the immediate business picture, the market for a fortnight prior to the present reaction pinned its hopes largely on the ever-lurking factor of potential inflation. It is useless to review the endless inflationary rumors and the propaganda pro and con with which speculative nerves have been kept tingling. Suffice it to say that any expectation of immediate radical currency inflation was effectively demolished by the speech made before the Grain Dealers' Association in Chicago on Sept. 20 by Secretary of Agriculture Henry A. Wallace.

In obtaining a perspective on the present situation, it is worth while briefly to examine this address, especially because, according to the United Press, it had been read in advance and approved by President Roosevelt. Mr. Wallace said, in part:

"Waving of wands will not suffice to dissipate real economic problems. There is danger that optimism, price-fixing and inflation will all of them tend to increase, rather than reduce, the lack of balance resulting from our creditor position, our high tariffs, our surplus acres and our excess stocks of fundamental goods. It is time for the people to begin to think in terms of a long time supply and demand situation which spreads over the years instead of the days."

Without further quotation from this highly interesting exposition of the Roosevelt Administration's policies, it appears obvious that the Wallace speech was a dash of cold water in the faces of the Congressional inflationists whose propaganda has for several weeks been rising to a shrieking crescendo, culminating in the quite remarkable demand of southern cotton planters for immediate inflation and Federal fixing of 20-cent cotton.

To us it seems a basically hopeful thing that the Administration so clearly recognizes the economic realities which the country faces. It is a hopeful thing that it is resisting the clamor for a dangerously fast inflation and a vertical price advance which could only produce ever-fresh dislocations. For investors it is important that the totality of the vast recovery program being directed at Washington be kept in mind, rather than the one element of inflation, however important that may prove to be.

The remarks of the Secretary of Agriculture do *not* mean that the Roosevelt Administration has settled definitely upon future monetary policy. They do *not* mean that ultimate resort to an experiment in controlled inflation has been put out of mind.

On the other hand, it can be said that the effort for the present centers on the objective of loosening up business credit, either through the banks or,

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Landmarks of Wall Street, Old and New

No. 13

Angell Photo, from Nesmith

The Produce Exchange Building

"When, As and If" We Inflate

"These powers (of inflation) will be used when, as and if necessary"—President Roosevelt in radio address, May 7

Decisive Action for Or Against Inflation Must Soon Be Taken

By JOHN C. CRESSWILL

THE American dollar is a cheap thing abroad; it's just a 67-cent dollar in gold. At home—measured by the gain in the wholesale price index since the low of February—it is an 83-cent dollar; but measured in cost of living, as compared with a year ago it is slightly better than par. Measured in the index of wholesale farm products, as compared with the January-February low, we have now a 53-cent dollar. Similarly, according to the retail food price index it is a 95-cent dollar. Appraised by THE MAGAZINE OF WALL STREET'S index of common stock prices, the dollar is worth only 37 cents in terms of its purchasing power at the March lows, or in other words, will purchase scarcely more than a third of the stock value that it would at the market depth.

"Curiously enough, some of the President's advisors are telling him that the surest way to get plenty of money into circulation and raise prices is not to print any more but to announce resolutely that none will be printed and to proclaim triumphantly a new gold standard now, once and for all."

All this has been brought about without any inflation of formal money. No greenbacks have been printed, nothing has been done about silver inflation; money in circulation has actually decreased. But the 1926 price level is still far off—still 70 per cent for farm products to climb from present levels and 45 per cent for all commodities, speaking in wholesale terms.

A taste of cheaper money has stimulated the demand for still cheaper money. The cry goes up from the farmers and the speculative groups for deliberate cheapening of the currency. "We must have a cheaper dollar," declares Senator Pat Harrison, chairman of the Senate Finance committee and, in effect serves an ultimatum on the President that if he doesn't use his discretionary powers to make a sorry thing of the dollar, Congress will do it for him in January. And that worshipful dirt-cheap dollar must come before the farmers have sold this year's staple crops or all kinds of hell, political and social, will break out, declares the Mississippi statesman. Tremendous pressure is being brought to bear upon the President to act immediately for a cheap dollar.

Mr. Roosevelt still clings to his plan of price restoration by means of the N R A and other organized economic measures to raise the price level, but although N R A has been in existence for four months and has been toiling furiously for three months, agricultural prices are lower than they were in June and other commodities higher but slightly—disparities have widened. It may eventually do the job, say the storming inflationists, but not soon enough. It must be done now! The President yielded to the inflationists in April to prevent worse, on the Thomas amendment; he may yield now to forestall worse. So much for domestic pressure to cut a chunk out of the dollar.

Now let's take a look at the foreign situation. The United Kingdom has quit its defense of the pound through exchange operations. It has deserted the steady franc and left the pound to follow the dollar in all its gyrations. Broadly speaking, that means that we shall lose all the relative export advantages suspension of the gold standard may have conferred upon us in sterling countries and those that are tied to sterling. There remains a theoretical, although illusory, advantage in the few remaining gold standard countries. If they throw up the sponge and pull down the flag of gold will their action be an incentive for inflation in the United States? Logically, no, but psychologically perhaps yes.

France is the pivotal gold standard nation. If she abandons gold the rest of the gold bloc will follow if it does not precede her. But will she? It is largely a question of domestic politics. If Premier Daladier is able to balance the French budget in October, as he promises, there is no reason why as matters now stand she should be forced off gold by external pressure. The gold resources of the Bank of France are enormous, and capital still flows to France from abroad. If in October she double-rivets her bonds to the gold standard by suitable fiscal legislation it is certain that the cautious surplus capital of the world will rush to France as an island of refuge in a storm-tossed world. Her large degree of self-containment and her canny quotas policy will prevent, probably, any dangerous drafts on her gold resources.

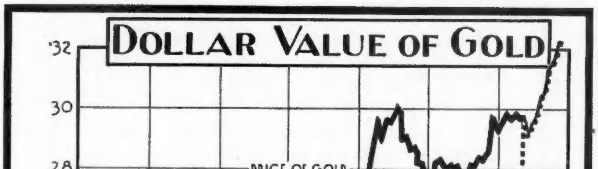
A good case can be made for the contention that France can probably hold to gold until inevitable international stabilization comes, if she chooses to do so. There are, however, two changes in the present gold setup in the world that might force her off gold. One is the establishment of an absolute free gold market in New York, the other is devaluation of the gold dollar. A free gold market would tend to draw gold from France. Reduction of the gold content of the dollar to the full 50 per cent of the President's discretion would be a disastrous blow to French foreign trade and would add to the demand of French industrialists and debtor classes for suspension of the gold standard.

After all, what France might do in consequence of American inflation is only of curious interest to us, except as it might shorten or prolong the period before world stabilization of currencies and a return to gold comes about. What interests us chiefly is what might happen here if France should abandon gold before we proceed toward deliberate inflation.

Aside from its contribution to the infection of the United States with the inflation fever, French abandonment of gold would at first be a shock to all conservative financiers the world over. The first substantial reaction in the United States would likely be bearish in its effects on the security markets. But they would soon respond bullishly because of the impetus the French course would give to inflationary measures here.

Modes of Dollar Tinkering

Now as to how we shall initiate inflation of formal money—in contradistinction to credit money inflation—there are some interesting conjectures. The out-and-out inflationists favor the prompt printing of treasury notes—greenbacks. They say that devaluation of the dollar can not be progressive. Whatever is done must be final, short of an eventual international stabilization agreement. Devaluation of the dollar by reducing the gold content should be the definitely ultimate shot in the locker. It would, it is argued, tend to bring about a price level below the desirable one, if it stopped short of 50 per cent. On the other hand, such devaluation would insure that the dollar could not rise in foreign exchange above the parity of its gold content. At present that is a decisive consideration, but already our markets are becoming somewhat indifferent to exchange quotations. The stock market frequently moves against the dollar in exchange, and even commodities respond more sensitively to other price factors.



So inflationists of the extreme variety prefer to depreciate, rather than formally devalue, the dollar at this stage of readjustment of prices. They believe absolutely in the quantity theory of money and contend that if only enough fiat money is printed prices will unfailingly ascend. They would start off with a billion dollars of Treasury notes, and then another and another billion. They are not interested at all in the fact that we have more money now than we had when business was booming and prices were high. They are sure that government money, pure and simple, will do what Federal Reserve and check money does not do. A flood of silver certificates would also be acceptable to them, and the 16-to-1 crowd, regardless of internation bimetallic action, is becoming vociferous.

At the moment President Roosevelt is seeking to meet the demand for cheaper money and its presumably higher prices by inflation of credit. The Federal Reserve Banks are buying thirty or forty millions of government obligations every week in the hope that the purchase cash will feed the banks up with money to the saturation point and start them hunting for loan opportunities. The inflationists of the extreme variety are "hollering" for a hundred million a week. Lately the Reconstruction Finance Corporation has entered the credit inflation field by practically offering the banks a billion dollars of six-months money at 3 per cent on the condition that they relend it at 5 per cent to N R A members, with not too much scrutiny of the collateral. And if the banks won't act loans will be made virtually direct to ultimate borrowers through mortgage corporations of their own creation.

Public works expenditures are being speeded up. The restoration of suspended banks is being rushed, the Agricultural Credit Administration is working over time to put out cash, the Agricultural Adjustment Administration is shoveling out funds; the R. F. C. has reduced its direct loan rates, flings export credits to China and Russia, buys equipment for the railways; the Home Loan Bank Board is doing its utmost to lift the home mortgage incubus. The Relief Administration pours out money for raw materials, and the N R A is embarking on a campaign to create a free-spending psychology. Make money easy and cheap is the preferred Washington course, without resort to crass inflation. Meantime the cry for outright inflation grows louder and louder.

Inflation by Deflation

Curiously enough, some of the President's advisors are telling him that the surest way to get plenty of money into circulation and raise prices is not to print any more but to announce resolutely that none will be printed and to proclaim triumphantly a new gold standard now, once and for all. They don't care much what the standard is in grains of gold (provided it does not exceed the present exchange valuation) but they declare that a new final standard—bullion instead of coin—defended with all the power of the Treasury and the Reserve banks will do more than anything else to restore business confidence and hope and set agoing that sound business expansion which can have all the money it needs without printing-press help or free silver fantasy. As against money printers, they call themselves money users. Under N R A and the other go-it-alone prosperity devices now at work, they say, prices can be put at any point within reason, by economic and credit control, and cutting the runaway risks of cumulative first money expansion.

The conviction grows in Washington that the President must shortly make a decision one way or the other. If the decision is against inflation at this time, it will probably not be the form of a definite committal—for political reasons—but by implication. Perhaps that implication was established on September 20 when the Washington correspondents declared that the President was unmoved either by the plea of the delegation of Southern cotton planters or by Senator Thomas' campaign to mobilize the inflation sentiment in Congress. At least that is the interpretation the

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¶ *Can Consumption Be Forced?*

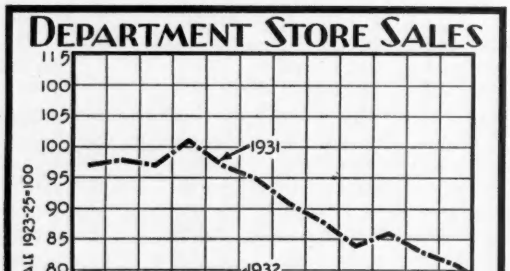
The Ultimate Consumer is Ordered Into the Breach

N R A Rests Its Hopes of Planned Victory Over Depression on Free Spending by the Public

By THEODORE M. KNAPPEN

IT'S a race between consumption and industrial production value. Production is again falling off in volume but rising in price. Consumption is increasing but there is still a big spread between buying power and the value of factory output. Factory output in August was 68.1 per cent higher in value than in March but payroll index was only 55.4 higher. Gross agricultural income for the year will probably not be more than 20 per cent greater than in 1932, when there was no net.

Happily, the industrial disparity is decreasing. In July factory value of output was 75.1 per cent higher than in March while payrolls had increased only 35.2. The volume of industrial production declined about 10 per cent in August over July whilst payrolls gained 11.6. But volume of production cannot decline very far without reducing employment.



The problem is to keep up production at level prices for a time and simultaneously increase consumption. So now, we have N R A embarking on a high-pressure campaign to increase consumption. John Citizen is told to spend his way back to teeming prosperity. The central urge of the campaign is to buy now because prices are going to increase.

N R A activities heretofore have certainly tended to raise prices and increase consumption although the emphasis of its activities has been on increase of employment and fattening of payrolls. If this drive should fail or natural expansion of business does not continue in the same direction unpleasant consequences may be expected. The natural course in industry is to meet declining demand with reduced prices, but the industrial codes are artificially freezing costs of production through arbitrarily increased wage rates and shortened hours of labor. Producers are in a position where they can not freely stimulate increased consumption by price reductions. If consumption can be increased artificially, just as payrolls and prices have been so far, it is conceivable that a balance can be regained between purchasing power and industrial production.

"Buy Now" campaigns are not usually successful, but it is hoped that an intensive campaign based on personal interest grounds, rather than altruistic good will, may get results, especially as it will be a national drive. Wholesale buying spontaneously expanded immediately after the gold standard was suspended, from purely selfish business considerations. Wholesalers foresaw rising prices and expected direct inflation. Retailers bought for the same reasons. The ultimate consumer was too deeply imbedded in the psychology of fear, curtailed income and vanishing savings to flop over from parsimony to generous spending. The inevitable result was increased production and primary distribution without corresponding increase at first in ultimate consumption. Now, however, there are evidences that the buying psychology of the public is changing. The masses appear to have confidence that the nation is emerging from the trough of the depression and that recovery is sure. The situation is certainly more receptive to artificial stirring than at any time during the past three years.

The campaign for the stimulation of consumption has the advantage of starting before the drive for increased employment has worn itself out. There is no knowing just what it has accomplished. The total increase in employment from March to August in the thirty groups surveyed by the Department of Labor is officially put at 2,200,000. The increase in August was 750,000, and it is in that figure that N R A results must be looked for. Further increases due to its work may be expected in September, unless it turns out to be an approximate failure. There is, however, little expectation now that the original calculation of six million men back to work by the end of October will be realized. This disappointment will be partly due to the failure of the tremendous public works expenditures

to click with the employment drive. This part of the National Industrial Recovery Act was expected to give direct employment to a million men, and indirectly to one or two million more besides aiding as a general business generator. It has proved impossible to inaugurate actual work as rapidly as expected.

The bulk of the unemployment in industry is due to the paralysis of the capital investment industries. It is estimated that of the decline of 5,100,000 in industrial employment from 1929 to March of this year, 3,600,000 was due to the contraction of the construction and durable goods industries. It was hoped that public works would promptly come to the rescue of these industries, pending spontaneous recovery and, indeed, hasten that eventuality. That hope is now deferred; on the other hand, they will show increasing activity from now on, and will tend to offset static or declining ultimate consumption of consumers' goods. How essential the recovery of the heavy industries is to a permanent balanced revival of business life is shown by the fact in 1929 their output was valued at 24 billion dollars, against 30 billions for the factory industries.

Building contracts have shown some increase lately, but they are still well below the volume of even 1931. Steel ingot production, after a lively spurt in the spring and early summer, shrunk rapidly until the second week of September, when the index showed a gain of two points, which was believed to be transitory. Lumber production for the first 36 weeks of the year increased 23 per cent over the corresponding period of last year and the weekly production in July was about treble that of March, but retail sales have increased less than 10 per cent. Dealers have been stocking up but consumption is moribund. The steel backlog of orders is falling and the lumber backlog is only about what it was a year ago with current new orders about 20 per cent less than in September, 1932. Cement production is only slightly higher than a year ago although thirty per cent above the March low. It is evident that the revival, so far, is getting along without the solid expansion of the basic industries that has in the past been a feature of business recovery. Moreover, there is but slight prospect of any marked improvement for the rest of this year outside of the effect of public works. Credit and capital conditions are both adverse. Improvement of business for the present must continue to depend mainly on the expansion of demand for consumers' goods.

This demand is certainly increasing on the whole as compared with last year, but the N R A has a stupendous job to bring it back anywhere near to normal during the next few months. A good barometer of consumer distribution it to be found in the figures of miscellaneous and less-than-carload railway shipments. For the week ended September 2, miscellaneous loads showed an increase of 17.2 over the corresponding week of 1932, but were about the same as the corresponding 1931 figure. Less than carload shipments were slightly off from the comparable figure of 1932 and more than 21 per cent below that of 1931. On the other hand the gain since the low point in March was enormous in both classes; L.C.L increasing from 154,000 to 172,000, and miscellaneous from 139,000 to 230,000 cars. July is ordinarily the low month in these classes of shipments, but this year the slump came instead in August. The pronounced gain recorded in the last week of August leaves hope that by the time the fall peak has arrived we may find positive evidence in these carloadings that consumption is gaining satisfactorily. According to a study of this subject by the Alexander Hamilton Institute an autumn high 14.9 index points above the August loadings low would turn the trick.

Figures for express and truck shipments are not available but they are reported to be gaining—and they are certainly an index of consumption.

Electric power consumption tells much the same story as carloadings except that domestic consumption and commercial consumption are continuing to show less of a relative gain than industrial utilization. While total power consumption in August was 29.8 per cent larger than in August of 1932, the gain in domestic was only 1.6 and in commercial but 0.6 per cent—and the September showing in these items will be worse. By way of interpre-

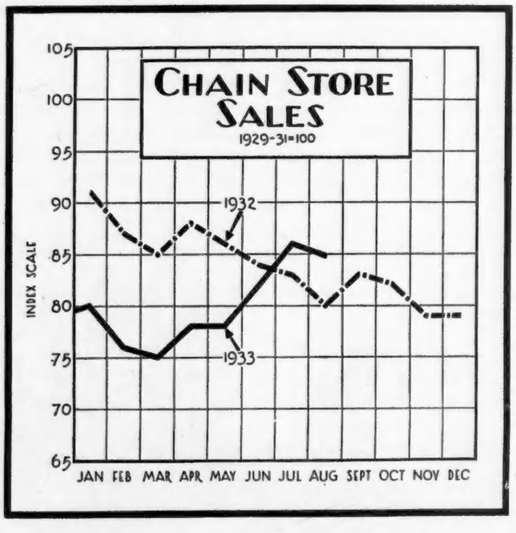
tation, the explanation is offered that both of them held up better than industrial consumption during the years of receding business activity.

Retail sales of automobiles are considered a good criterion of the buying attitude of the public. That registrations of new cars exceed those of the first seven months of last year, notwithstanding the heavy decline in the first three months of the year, is taken as a most favorable sign. For the latest available month sales were 185,000 compared with 104,000 in the corresponding month of 1932. Latest reports indicate that sales and production are both being maintained at a gratifying rate.

The August slump in retail deliveries may have been merely a pause in the advance, due to the uncertainties as to the effects of the N R A blanket code, especially as affecting retailers and also of the permanent codes. Possibly also there had been some overbuying. But whatever the explanation, the facts are that, with manufacturing letting down and wholesaling nodding, retail business was positively gay in August. People were buying in a new mood. The 40 million dollars increase in weekly factory payrolls since March, coupled with popular confidence in N R A, and national leadership and a general belief that the storm clouds of years were clearing had their effects. The steady resumption of business by closed or limited banks opened up repressed buying sources.

A New Zest in Buying

Department stores in 214 cities reported sales for August 16 per cent larger than a year ago and 6 per cent larger than in July. Higher prices were partly accountable for this gain but there was also a distinct gain in volume. Increased rural buying power was reflected in the gains of such chains as the J. C. Penney and in those of the mail order houses of Sears-Roebuck and Montgomery Ward. Penney romped in to the end of August with a gain of 32 per cent over July and of 8 per cent for the first eight months of the year. Montgomery Ward beat July by over 20 per cent, and, notwithstanding the fierce first four months of the year, showed a small gain for the eight months. Sears-Roebuck did almost as well. Some stores reported all August records broken. In the variety line, Woolworth reported a gain of 11.5 per cent over July. The food store chains did not do so well as the others, mainly due to the fact that prices of their goods have not advanced rapidly.



Reviewing the August record, the Chain Store Research Bureau says: "The plain fact is that fall business is developing at a rate which exceeds the predictions of the most optimistic a few months ago. At that time those skeptical of recovery were stating that it was easy enough to advance prices but that purchasing power would not exist in the fall to move the large production that was taking place. We now find that the leading retail institutions of the country report increases of 10 to 60 per cent in recent weeks over a year ago, with the result that manufacturers are being pressed for immediate deliveries in almost all lines of business."

The retail movement suffered a check in the second week of September, which was accepted by some commentators as evidence that the buying boom had broken and that the sad fate that overtook the securities market in July was at hand in merchandising. But in the view of the Chain Store Research Bureau the bad weather of that week was largely accountable for the setback. It remains confident of a continual expansion of business, due fundamentally to a profound change in the psychology of the consuming masses.

Forward Buying Checked

While retail inventories are held to be scant, it is indisputable that the forward buying that was so furious in the four months following the recovery from the banking crisis of March is no longer in evidence. In those months the attitude of merchants was that the inflationary effects of departure from the gold standard and the probability of actual inflation of credit and currency made it the part of wisdom to stock up. This forward buying is accountable for the present letup in industrial production and wholesaling. But now the future of prices is dubious, owing to the uncertainties as to the possibility of cash inflation and the dilatoriness of the expansion of credit. Three months ago manufacturers, confident of further price increases, were often refusing orders at any price for distant delivery. Today the tables are turned, and while producers would be glad to contract for future delivery, distributors are working on a hand-to-mouth basis. The roseate dreams of inflation stimulation have turned to dark doubting. While the farmers, owing to the sharp recession in their commodities since July, are apparently losing faith in both the N R A and the Agricultural Adjustment Administration, business men are now inclined to long for monetary solidity and stability. The agrarian and political pressure on the President to turn loose the floods of monetary inflation is depressing to producers and traders. What they seem to want is either outright Presidential rejection or monetary heterodoxy or a prompt and final declaration of his plans in the opposite direction.

The knotty problem the N R A is now tackling is that of increasing consumption and keeping production stationary or increasing in volume without an increase of total value. If that can not be done, it holds that recovery will experience a deplorable setback. Its efforts up to this time have been concentrated on the increase of buying power of the commercial and industrial groups. Whether it is entitled to the credit or not, the fact is that payrolls have gained splendidly. But the increase in employment is by no means sensational, and it begins to be doubtful whether it can do much more to stimulate re-employment. The impending expansion of public works on an enormous scale will work powerfully in that direction, but it looks as if N R A has done about all it can do directly to spread work and at the same time increase payrolls.

It can be given unlimited credit for changing public

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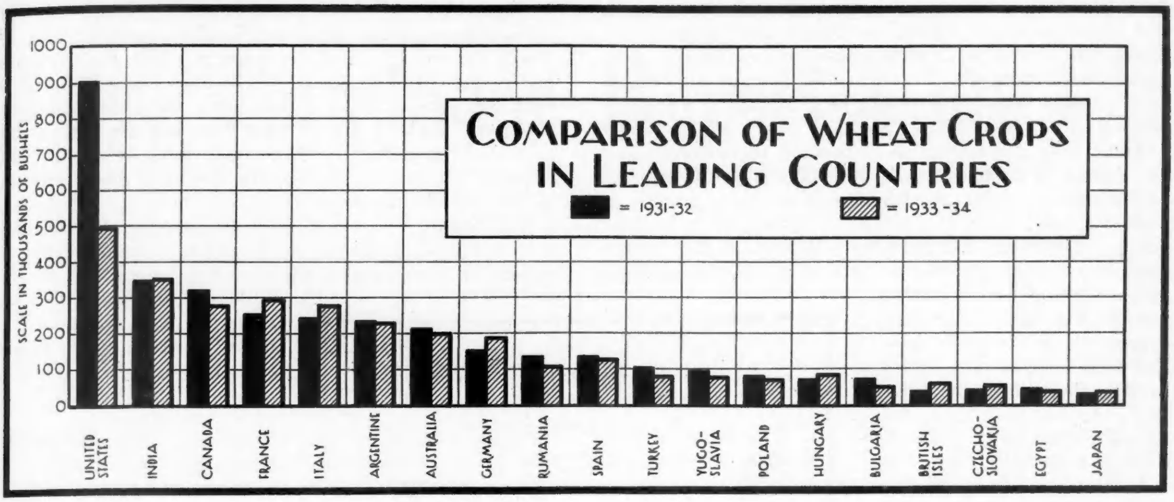


A New Era Opens for Wheat

Domestic Factors Are Favorable and International Agreement Holds Promise of Gradual Return to Normal Stocks and Prices

By C. S. Burton

THE era of extremely sub-normal prices for wheat appears to have ended. There is a prospect that present over-supplies will gradually be worked down to a normal basis. Temporarily, crop shortage in this country and Canada, due to unfavorable weather, is a bullish price influence. Our domestic price also has responded to the speculative impulse imparted by threats of inflation. Of far more long-term significance is the current effort, domestic and international, to bring wheat under intelligent and planned control.

The international wheat agreement recently negotiated may be taken as the first breach in the towering barriers of economic nationalism. That the wheat exporting nations of the world could be brought to an accord is little short of a miracle; that such an agreement—any agreement—could also include the importing nations of the world is miraculous indeed.

The 1933 Wheat Conference was the fourth conference called together in recent years and the first to achieve a real result. Preceding conferences, and this one as well up to the last moment, only furnished Will Rogers an excuse for his biting sarcasm. Our leading humorist, being given to bitter gibes as to conferences and conferees when no result is forthcoming, must be asked now to renew his faith.

How Our Farmers Will Benefit

To visualize the manner in which our farmers are to profit by the pact just completed it is necessary to study the world trade, production and disappearance of the grain. It has been the annually increasing world carryover that created a problem in wheat and to go back a step further, it was the abnormal condition prevailing in Europe after the war that created the carry-over. In all Europe agriculture's routine had been disrupted. Russia was no longer Europe's granary. The European countries had to have bread. Out of this necessitous buying sprang two important factors, a stimulus for the world's wheat growers, increased acreages in the United States, Canada, Australia, the Argentine. This demand, on the one hand, created, on the other, a fixed determination on the part of the buyers to make themselves independent of the world market.

The changes in the trade in wheat, shown in the accompanying table, reveal how the exporting countries more than rose to the occasion and how the trade has been dislocated by the change in the volume of exports from the principal exporting countries.

European Market

Of the 1932-3 shipments of 586,400,000 bushels, 72 per cent went to Europe, emphasizing thus the importance of the pact with the European buyers. The figure given for North America is Bramhall's and includes Canada and the United States.

It is to be seen that Russia dropped from first place to sixth in the second 5-year period. Canada more than tripled her exports. The Argentine and Australia each nearly doubled theirs. Now, the demand for wheat runs about the same from year to year. As a consequence a

good or bad harvest causes a sharp fluctuation in price, and any such added volume of exports and accumulating stocks was bound to depress prices and eventually react upon the farmers who had expanded acreage and equipment to meet what they took to be a constantly increasing demand.

There was engendered as a part of the aftermath of the World War, the idea of nationalism; world trade in agricultural products has been impeded by a growth of trade barriers rising to fantastic heights and backed by quotas, restrictions and subsidies. Wheat, as the world's chief bread grain, elicited the particular attention of legislators working largely with a double purpose. One end sought, as in our own case, has been to extend a strong hand to the farmer; the other, as in the European countries, to make themselves self-sufficient as to bread.

It is as the first realization of the interdependence of the nations, the first real check to the growth of the abrasive, nationalistic spirit that the achievement of the Wheat Conference becomes of first importance. Its implications extend far beyond the wheat fields, far beyond the mere number of bushels which may go overseas, far beyond the advanced price which our farmers may look to receive. It is to be hoped that it marks the beginning of the end of the misguided search for an illusory non-existent independence, an economically impossible self-sufficiency.

The World Wheat Agreement is the first real international agreement covering an agricultural product. The importers and exporters parties thereto represent substantially all of the world trade. Twenty-two countries are signers and some small importers are expected to come in later. The general agreement became effective at once and the recent order promulgated by Secretary Wallace calling for a 15 per cent reduction in wheat acreage is in line with the terms of the pact.

The contracting nations are Argentina, Australia, Austria, Belgium, Bulgaria, Canada, Czecho-slovakia, France, Germany, Greece, Hungary, the Irish Free State, Italy, Poland, Rumania, Spain, Sweden, Switzerland, Russia, the United Kingdom, the United States and Yugo-slavia. The exporters are the Argentine, Australia, Canada, the Danubian countries, Bulgaria, Hungary, Rumania, Yugoslavia, and the United States.

Britain is the Largest Consumer

The United Kingdom is the big importer. About 30 per cent of the wheat going into world trade disappears in the United Kingdom, which is the reason why Liverpool makes wheat prices for the world.

The world carry-over, to overcome and dissipate which is the first end and aim of the Agreement, amounted to 782,000,000 bushels at the end of the crop year on June 30, last. Our own particular difficulty lies in the fact that in our efforts to keep prices up for the farmer we kept our wheat out of the world movement. The Federal Farm Board and the Canadian Wheat Pool owned or left to their successors a lot of wheat, while the market in Liverpool was marking an all time low last February. Our carry-over is 386,000,000 bushels, while Canada holds 230,000,000, so that between the two there lies practically 80 per cent of the world stock.

The latest governmental estimates place our current crop at 506,557,000 bushels, as compared with 726,282,000 bushels last year and a five-year average of 861,167,000 bushels. Our short crop gives assurance that there will be some reduction in our domestic carry-over, for we will consume ourselves all of this year's production.

Changes in Wheat Trade

1909-1914 Average of Crop Years

Order	Net Exports Millions of Bushels	% World Trade
Russia	164.5	24.5
U. S. A.	110.0	16.4
Danubian	109.0	16.2
Canada	95.6	14.2
Argentina	84.7	12.6
Australia	85.2	8.2
India	49.8	7.5
Chile	2.4	0.4
Total	671.2	100.0
1924-1929		
Canada	309.5	38.8
U. S. A.	178.5	22.4
Argentina	154.6	19.4
Australia	96.6	12.1
Danubian	36.7	4.6
Russia	12.8	1.6
India	8.3	1.1
Total	797.0	100.0
1932-1933 (partly estimated)		
North America	298.5	51.0
Australia	153.4	25.2
Argentina	115.4	19.7
Russia	17.4	3.0
Danubian	1.7	1.1
Total	586.4	100.0

Which brings us to consider the conditions imposed by the wheat pact in relation to world shipments.

The allocations for export fix upon a total world movement of 560,000,000 bushels of the present crop, a little less than the figure shown in the comparative compilations already set out. The reduction in import requirements is due to rather abundant harvests in Europe and—as in France, for example—a heavy carry-over. France is one of the countries which has so overdone coddling of its agriculture that the cost is a government burden and the market keeps getting out of control in spite of such efforts.

The 560,000,000 bushels to go into world trade is apportioned among the exporting countries: Canada, 200,000,000 bushels; the Argentine, 110,000,000; Australia, 105,000,000; the Danubian countries, 50,000,000 to 54,000,000; United States, 47,000,000, which must be supplied from our carry-over; Russia some 18,000,000 bushels. These tentatively fixed quotas leave some 29,000,000 bushels for future adjustment.

American Exports

These quota figures were arrived at by figuring the 15 per cent reduction in acreage, average yields and average domestic disappearance, the balance remaining (1933-34 and thereafter) is the permitted export. On this basis it works out that for 1934 we would have a minimum export quota of 90,000,000 bushels. For the crop year 1931-32 our exports of wheat were 135,797,000 bushels; for the crop year 1932-33 (year ended June 30, last) our exports were 41,225,000 bushels.

The same set of figures would give to Canada an export quota of 263,000,000 bushels for 1933-34, while it is agreed that any increase in world trade shall be divided between the United States and Canada. The Southern hemisphere countries agree that instead of a cut in acreage they will hold exports down to a basis equivalent thereto.

(*Please turn to page 597*)

What Imminent Repeal Can Do

for Taxation
for Employment
for General Business

By Glen Price Manton

THIRTY-ONE states have voted for repeal of the Eighteenth Amendment, Idaho and New Mexico having on September 19 added their names to the long list of states swinging into line during September. Only five more states are needed for the necessary two-thirds ratification, which, probably before the end of the year, will write the thirteen-year experiment of national Prohibition into the history of the past.

Two more states will vote on this issue early in October. Five others will vote on November 7. In four others special legislative sessions are in prospect, suggesting the probability of a vote on repeal before the year is out. In short, the verdict thus far being unanimous as state after state has been heard from, it is a foregone conclusion that we are now on the verge of a return of Federal legalization of the hard liquor industry. It is probable that November 7 will clinch the verdict.

A New Influence

This does not mean that November 7 is likely to usher in widespread distribution of liquor to the consuming public. Uncertainties of taxation, both Federal and local, remain to be cleared up. Many wet states have yet to work out their varying systems of regulation. We are sufficiently close, however, to the resurrection of the liquor industry to consider its place in the general business structure, its influence upon employment and its yield in taxation.

In appraising each of these potentialities it is necessary to rely heavily upon conjecture, for many variable elements are involved. As will later be seen, the industry, in terms of invested capital, dollar value of product, employment and general business stimulation, is not of major importance. In a land hard-ridden by taxation, however, it is of considerable importance as a future source of tax revenues. To the extent that such revenues may be theoretically capable of relieving business of some of the present tax burden and of aiding the Federal and local governments to balance budgets, prosperity for the industry may be of not inconsiderable indirect business importance.

Consumption of distilled spirits reached a peak of 167,740,000 proof gallons in 1917, a per capita consumption of 1.62 gallons. Going as far back as 1865, consumption in pre-prohibition days averaged approximately 1.4 gallons per capita year in and year out.

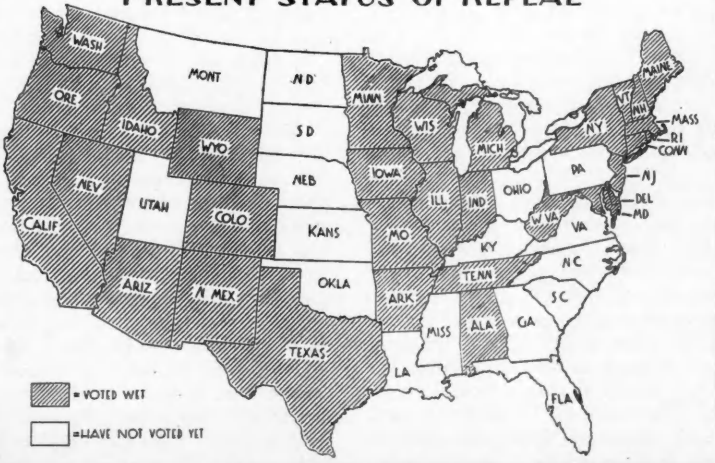
Estimated Consumption

The Association Against the Prohibition Amendment estimated American consumption of hard liquors in 1929 at 200,000,000 gallons. The Chamber of Commerce of the State of New York estimated 1930 consumption at 156,200,000 gallons, made up of 15,000,000 gallons smuggled, 12,500,000 gallons of diverted industrial alcohol, and 128,700,000 gallons of bootlegged or moonshine liquor. This was a per capita estimate of 1.27 gallons.

It appears likely on a conservative estimate that consumptive demand for legal liquors in 1934 will be upward of 150,000,000 proof gallons. On the Federal statute books there still remains a war-time tax rate of $6.40 per proof gallon. Its peace-time legality is open to doubt. If such a rate were enforced and if the resultant high prices did not divert much business to bootleggers, the tax yield to the Government on consumption of 150,000,000 gallons would be the rich total of $960,000,000. At the pre-war tax of $1.10 per gallon, the yield would be $165,000,000. Washington officials have estimated the yield at approximately $250,000,000. To obtain the latter yield, it is probable that Congress in January will enact new legislation. A tax of $1.70, moderately higher than the pre-war rate but far under the present rate, should yield at least $255,000,000.

(*Please turn to page 600*)

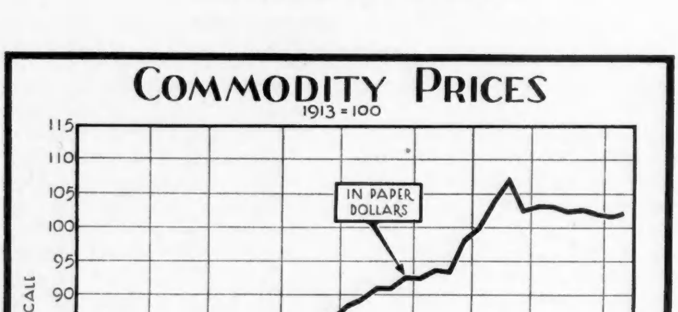
PRESENT STATUS OF REPEAL



Bull Market in Gold Goes On

Stabilization of Currencies Clue to Its Duration. Gold Price of Commodities Will Give Get-Out Signal for Ever-Mounting Gold Mining Shares

By J. C. Clifford



CONDITIONS of the past few years have certainly been of the hothouse variety so far as gold is concerned. Throughout the world, every unbalanced budget, every instance of overproduction, every tariff, every trade quota, every branch factory in a foreign country, every time a price-fixing fantasy crashed, has been another sacrifice to the great god, Gold. Also, and curiously perhaps, every time a country has said, "Enough, we worship elsewhere," Gold's influence has become the mightier, not only with those that still owed him open allegiance, but mightier with those doing lip service to other gods. It is four years now since gold waxed daily more resplendent. Is this but the start, or does he approach the zenith of his power?

When the stock market crashed in the fall of 1929 and ushered in an era of bankruptcy, unemployment, and misery for a large part of the world's population, not many looked upon it as the commencement of the greatest bull market in history. Yet, such it was—in gold. In terms of commodities and services, gold became constantly more valuable. Throughout the world, gold mining stocks boomed as company profits mounted. Men went and washed the sand from worked-out streams for the recovery of a few grains of gold daily. It paid them to do so when their meager garnerings would buy so much in the way of food, shelter and equipment.

Eventually, gold became so valuable that even countries, needing it to settle their obligations, were unable to pay the price. Take most of the South American countries and Peru as a specific example. She owed gold, of which she has been accustomed to obtain some 20 grains for five pounds of cotton, or five pounds of copper, or five pounds of wool, or a barrel of oil. How could she pay her debts when it took four times as much of the only things she had? The plain fact of the matter is that she, and a score like her, could not pay. They defaulted, but before they did so, they exported with might and main and curtailed imports with equal fervor, making gold still more valuable.

Followed prohibition of gold exports and consequent impairment of currencies in foreign exchange with further enhancement of gold's value.

At last, the great powers were attacked. A bill on London, or a deposit in London, instead of being just as desirable as gold, sold at a discount in the markets of the world. Gold was shipped, but there was never enough available — and lo, England was off gold and the mighty pound no more than a wildly fluctuating piece of paper. Again gold becomes more valuable. Commodities, in terms of the dollar still on gold, went to record lows. Our own depression deepened. There was a formidable run on the dollar from abroad, which we met successfully by the shipment of metal.

But this was only a taste of what was ahead. The increase in the value of gold undermined the assets of our financial structure. Hoarding became epidemic. At first Federal Reserve notes and other money was satisfactory, but later a definite preference was expressed for gold. At last, because of this, and because the social pressure brought about by the decline in prices had become terrific, we, the United States, with the largest stock of gold in the world, were off the standard.

Moreover, unlike Great Britain, we went off gold with the full intention of not being satisfied by the consequent rise in dollar commodity prices. By various schemes and the fullest use of propaganda we have attempted to accelerate this price rise. Yet what has happened. A glance at the accompanying graph will show. Commodity prices in terms of dollars have risen, yes, but these same commodities in terms of gold have declined to a record low—which is merely another way of saying that the gold boom is still scaling new heights.

For a time while the gold boom was gathering additional momentum, however, gold mining in the United States was artificially suppressed to a considerable extent by the peculiarities of governmental regulation. Gold had to be sold to the Treasury at the dollar's parity of $20.67 an

ounce instead of at the world price which was 50 per cent or more greater. If this situation had continued for any length of time, coupled with the steady rise in dollar commodity prices, one of two things would have happened: either there would have been extensive bootlegging of the domestic gold production, or the majority of our domestic gold producers would have gone out of business. The Government, however, recognizing this, prescribed certain regulations a little more than a month ago, under which domestically produced gold could obtain the world premium. So far as their position in the gold boom is concerned, there is now no difference between domestic mines and those abroad.

This brings us up to the present moment—the metal gold is at a new high in terms of commodities, services and the paper dollar, while gold mining securities are for the most part similarly situated. Now what? It has been shown that the abandonment of gold by Great Britain had a markedly depressing effect upon American commodity prices which were then quoted in gold. Also, that the United States' abandonment of gold has had a further depressing effect upon commodities in terms of gold. It is therefore quite clear that the few countries still remaining on gold are being subjected to the same forces that eventually caused us to abandon the standard. In France, Holland, Switzerland, Belgium and elsewhere depression deepens and there is a tendency towards yet lower prices which they are attempting to combat by tariffs, quotas and everything else in their power. They are further menaced from abroad by the huge sums held for foreign account, fearful of its own currency. Should a concerted movement result in the sudden withdrawal of these foreign balances there are only two alternatives—either the abandonment of gold payments, or large borrowings abroad which conceivably might be paid off gradually over a period of years.

If France Goes Off

Can these countries resist the pressure—the fall of one will almost certainly bring about the fall of them all? They themselves say that they can and will maintain the standard; but the facts are against them and the news that they are "off" gold is expected at any time. If this occurs, it means, of course, that the peak of the gold boom is not yet, that commodities and services in terms of gold will go still lower, and that the price of gold mining shares in terms of paper currencies will go higher.

Also, it is not unlikely with the entire world off gold that we find it expedient to permit an entirely free market for gold in this country instead of the very limited one that we currently enjoy. In this case, while not perhaps probable, it is certainly among the possibilities that the American people, with their instinct for the speculative, bid so enthusiastically for gold that there be a direct—in contrast with the present indirect—bull market in the metal. In this connection it must be remembered that, with all the central banks hanging on to their gold like grim death, the supply of newly mined metal would hardly be sufficient to satisfy a spirited demand and a considerably higher price than the present $31 an ounce would result. This factor, however, being an entirely immeasurable one, can hardly be employed in an appraisal of the current gold situation, although it is worth bearing in mind in connection with the length of time present mining securities should be held

Turning again to France and the other countries still on gold, it is, of course, quite possible that they maintain the standard. In this case, the peak of the gold boom is nearing, for the world will be that much nearer currency stabilization. The day any important power, now off gold, returns to the standard, "finis" will be written to the gold boom.

Moreover, there can be no real doubt but that the world will return to gold eventually. For monetary purposes, the metal has no substitute—silver fanatics to the contrary. Gold has been treasure through the ages and will continue to be treasure. Great value in small bulk and with production among the most stable, the world knows of nothing better to act as its monetary base.

Can It Last?

Does it appear inconsistent to say (1) that "finis" will be written to the gold boom as soon as the world commences to return to it as a standard, and (2) that gold always will be of great value? Not if one considers that at the present time the greater part of the world's gold stock is locked up in the central banks of countries from which it cannot be withdrawn *at any price*—except possibly in insignificant quantities and for a specific and special purpose. And paradoxically, the people of the world will want gold very much less when they can get it, than when they cannot do so. With gold payments re-established, gold will no longer have that extra-special scarcity

(Please turn to page 599)

Important Miners of Gold

Company	Per share earnings (before depletion) 1932	1933E	Currently earning at the rate of E	Current Price	Dividend	COMMENT
Alaska Juneau	$0.57	$1.05	$1.60	25	$0.60	A volume operator in low grade ores. Enjoys an active market and good sponsorship, but appears to be selling somewhat high in relation to earning power.
Dome	2.09‡	2.80‡	3.60‡	35	1.55§	Mine at one time was thought to be petering out, but management now reports discovery of new reserves.
Hollinger	0.80	1.20	1.50	10	.75§	Opening up new ore-bodies between 3,000 and 4,000 foot level. Company has substantial investment trust subsidiary.
Homestake	9.94†	16.00†	28.00†	340	14.00§	One of the greatest gold mines in the world, whose dividend record is surpassed by few companies whatever the nature of their business. Some $40 a share in cash and securities.
Lake Shore	3.90j	4.10g	6.00	48	2.50§	A great Canadian mine whose production has risen steadily over a number of years.
McIntyre Porcupine	3.01a	5.50b	6.00	43	1.63§	Large producer, strong financially. Mine's future appears to depend upon development at depth.
Teck-Hughes	0.78c	0.75d	1.20	6	.60	Like Lake Shore, also in the Kirkland Lake district, Ontario. Steady rise in amount of ore treated.
Wright-Hargreaves	0.36	0.55	0.70	8	.25§	Said to operate in the same vein as Lake Shore, with which company, this, recently joined in the formation of a subsidiary for the treatment of tailings.

E Estimated on the basis of gold at $31 an ounce. a Year to March 31, '33. b Year to March 31, '34. c Year to Aug. 31, '32. d Year to Aug. 31, '33. j Year to June 30, '32. g Year to June 30, '33. † After depletion. ‡ Before depreciation. § Including extras.

The Magazine of Wall

THE MAGAZINE OF WALL STREET'S Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

Owing to the uncertainty which has grown out of the prospect of inflation, or at least a lowering of the dollar's purchasing power, bond purchases for investment can only be made with a full recognition of these factors. There is, of course, no suggestion here that the individual eliminate all high-grade issues from his portfolio, for they possess certain advantages, regardless of conditions, not found in other securities. Among the second-grade and more speculative bonds found in these tables some undoubtedly have large potentialities. Such bonds, however, must be selected on their merits and with due regard to one's own financial condition and the degree of risk that can be assumed.

Inquiries concerning bonds should be directed to our Personal Service Department.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	1932	Price Call‡	Recent	Yield to Maturity	COMMENT
Chicago, Milwaukee, St. Paul & Pac. R. R.								
Gen. "A" 4s, 1989	474	139	.7	.1	N C	68	6.0	Position improved. Now fairly strong.
50-yr. "A" 5s, 1975	474	106	.7	.1	105*	36	14.0	Junior to large general mortgage.
Conv. adj. 5s, 2000	474	183	.7	.1	105	14	...	Junior to two issues above. Speculative.
Cin. Union Terminal 1st "A" 4½s, 2020	36	36	..	..	107½ '35*	100	4.5	Guarantors include the B. & O., the C. & O., Norfolk & Western and Pennsylvania.
Kansas City Terminal 1st 4s, 1960	50	50	..	..	105	89	4.7	Guarantors include the Atchison, the Burlington and the U. P.
Lehigh Valley R. R.								
1st 4s, 1948	92	5	.7	.5	N C	..	...	Good, sound issue.
Cons. 6s, irredeemable	92	13	.7	.5	N C	..	...	Junior to issue above.
Gen. cons. 4s, 2003	92	92	.7	.5	N C	50	8.0	None too strong, despite some improvement.
Lehigh Valley Rly. 1st 4½s, 1940	15	15	.7	.5	N C	86	7.1	Medium grade.
Lehigh Valley Term. Rly. 1st 5s, 1941	10	10	.7	.5	N C	98	5.3	Secured by valuable property.
Lehigh Val. Harbor Term. Rly. 1st 5s, '54	10	10	.7	.5	105 '44*	85	6.3	Well secured
Pennsylvania R. R.								
Cons. 4½s, 1960	599	93	1.3	1.2	N C	101	4.4	High grade investment.
Gen. 4½s, 1965	599	285	1.3	1.2	N C	85	5.5	Junior to issue above, tho good grade.
Sec. 6½s, 2.1.36	599	60	1.3	1.2	N C	103	5.2	Pledged security includes $60,000,000 general mortgage issue.
Sec. 5s, 1964	599	50	1.3	1.2	105*	93	5.5	Secured pledge div.-paying stocks.
Deb. 4½s, 1970	599	60	1.3	1.2	102½ '40*	72	6.5	Reasonably good issue, tho unsecured by mortgage.
Allegheny Val. Ry. Gen. (now 1st) 4s, 1942	599	20	1.3	1.2	N C	96	4.5	Better grade investment.
Pennsylvania Co. Tr. Ctfs. "E" 4s, 1952	599	28	1.3	1.2	N C	86	5.2	Good grade holding.
Guaranteed Issues								
Long Island R. R. Ref. 4s, 1949	48	27	2.9	2.2	N C	92	4.7	Better grade on its own merits.
N. Y. Connecting R. R. 1st "A" 4½s, 1953	..	27	..	..	105	98	4.7	New Haven also guarantees. Better grade.
Pennsylvania, Ohio & Detroit 1st & Ref. "A" 4½s, 1977	..	32	..	..	102½*	92	4.9	Good grade bond.
Phila., Balt. & Washington R. R.								
1st 4s, 1943	53	16	..	..	N C	99	4.1	Of the highest grade.
Gen. "C" 4½s, 1977	53	39	..	..	N C	93	4.9	Junior to issue above, but still strong.
Pitts., Cin., Chic. & St. Louis								
Con. "A" 4½s, 1940	128	39	..	..	N C	101	4.3	High grade investment.
Gen. "B" 5s, 1975	128	75	..	..	N C	96	5.2	Junior to issue above. Good grade.
Southern Pacific Co.								
San Francisco Terminal 1st 4s, 1950	673	25	1.2	.8	105	93	4.6	Well secured issue.
Oregon Lines 1st "A" 4½s, 1977	673	61	1.2	.8	105*	66	7.0	Fairly strong.
Central Pacific Coll. 4s, 1949	673	37	1.2	.8	100	53	9.9	None too strong.
Deb. 4½s, 1969	673	65	1.2	.8	105 '34*	49	9.5	Of fair caliber only.
Central Pacific Rly.								
1st Ref. 4s, 1949	235	99	.5	..	N C	76	6.4	Well secured.
Through Short Line 1st 4s, 1954	235	10	.5	..	107½	80	5.6	Better grade.
European Loan 4s, 1946	235	48	.5	..	100	..	...	Paris principal market. Fair grade.
Guaranteed 5s, 1960	235	40	.5	..	105 '35*	60	8.9	None too strong.
San Antonio & Aransas Pass 1st 4s, 1943	...	17	..	..	N C	61	10.4	Now medium grade only.
Southern Pac. R. R. 1st Ref. 4s, 1955	673	144	1.2	.8	105	68	6.8	Entitled to a reasonably good rating.
Texas & Pacific Rly.								
First Cons. 5s, 2000	85	25	1.5	1.0	N C	96	5.2	Well secured.
Gen. & Ref. "C" 5s, 1979	85	49	1.5	1.0	105 '39*	63	8.1	Junior to issue above.

Public Utilities

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	1932	Price Call‡	Recent	Yield to Maturity	COMMENT
American Water Works & Electric Co.								
Coll. 5s, 4.1.34	184	16	1.4	1.2	102½	95	15.0	Pledged stocks and bonds are valuable. Good grade.
Deb. "A" 6s, 1975	184	11	1.4	1.2	110*	77	7.9	Medium grade only.
Monongahela West Penn Pub. Ser. 1st & Ref. "B" 5½s, 1953	24	14	1.7	1.5	105*	60	10.2	Fair caliber.
Potomac Edison 1st "E" 5s, 1956	17	17	2.0	1.9	105*	82	6.5	Reasonably good security.
West Penn Power 1st "G" 5s, 1956	50	50	4.2	3.5	105*	105	4.6	High grade investment.
Bell Telephone of Pennsylvania								
1st & Ref. "C" 5s, 1960	97	85	2.8	2.1	100 '57	106	4.6	High grade.
Con. Dis. Tel. 1st 5s, 1943	97	9	2.8	2.1	105	..	..	Assumed B. T. of Pa. High grade.

Street's Bond Appraisals

Public Utilities (Continued)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	1932	Price Call‡	Recent	Yield to Maturity	COMMENT
Carolina Power & Lt. 1st & Ref. 5s, '56	46	39	1.6	1.4	105*	57	9.7	Of fair caliber only.
Central Illinois Public Service 1st & Ref. (now 1st) "F" 4½s, 1967	56	56	2.0	1.6	105*	54	8.8	Fair grade now.
Cleveland Electric Illuminating Co.								
1st 5s, 4.1.39	40	30	4.2	3.9	102½*	104	4.2	Of the highest grade.
Gen. "A" 5s, 1954	40	22	4.2	3.9	105	106	4.6	Junior to issue above, tho still strong.
Commonwealth Edison 1st "F" 4s, 1981	196	175	..	2.0	105*	80	5.1	Strong investment bond.
Duke Power								
1st & Ref. 4½s, 1967	63	40	2.7	2.2	104½*	97	4.7	Better grade.
Southern Pub. Ut. 1st & Ref. 5s, '43	63	16	2.5	2.1	105	..	..	Strong bond.
Duquesne Light 1st "A" 4½s, 1967	70	70	5.7	4.6	104½*	104	4.2	High grade investment issue.
Georgia Power 1st & Ref. 5s, 1967	118	98	2.2	2.0	105*	68	7.7	Medium grade bond.
Gulf States Utilities 1st & Ref. "A" 5s, '56	21	21	2.2	1.7	105*	72	7.6	Fair grade, of which further recovery is reasonable expectation.
Metropolitan Edison 1st & Ref. (now 1st) "D" 4½s, 1968	41	40	2.8	2.7	107½*	77	6.1	Good grade holding.
Milwaukee Elec. Ry. & Light Ref. & 1st (now 1st) "B" 5s, 1961	64	64	1.9	1.4	103½*	68	7.8	Fairly strong only.
National Pr. & Lt. Deb. "B" 5s, 2030	281	25	1.5	1.4	106*	54	9.3	Holding company obligation. Reasonably good bond.
Nebraska Power 1st 4½s, 1981	20	17	3.4	3.1	107½*	97	4.7	Better grade.
Nevada-Cal. El. 1st Tr. 5s, 1956	31	28	1.4	1.4	102½*	57	9.7	Represents large proportion of total debt.
New England Tel. & Tel. 1st "B" 4½s, '61	88	75	3.1	2.5	100 '53	103	4.3	High grade investment issue.
New York Steam 1st 5s, 1951	28	28	2.7	2.1	105*	97	5.3	Better grade open mtge. bond.
Niagara Lock. & Ont. Pr. 1st & Ref. 5s, '55	25	19	1.8	2.1	105*	100	5.0	A solid security.
North Amer. Lt. & Pr. Deb. "A" 5½s, '56	193	18	1.3	1.0	102½*	32	..	None too strong holding co. obligation.
Penn Central Lt. & Pwr. 1st 4½s, 1977	28	28	2.4	1.9	105*	64	7.2	Parent co. receivership and lower earnings adverse influences.
Pennsylvania Pwr. & Lt. 1st 4½s, 1981	132	131	2.6	2.6	105*	85	5.4	Good grade investment.
Philadelphia Electric Co.								
1st 5s, 1966	168	57	3.2	3.2	110	107	4.6	High grade bond.
1st Lien & Ref. 4½s, 1967	168	34	3.2	3.2	104½*	103	4.3	Pledge of 1st 5s makes this issue almost as strong as one above.
1st & Ref. 4s, 1971	168	59	3.2	3.2	102½*	94	4.3	Strong bond.
Philadelphia El. Pwr. 1st 5½s, 1972	168	35	3.2	3.2	106*	105	5.2	Not obligation Phil. El. Co. Good bond.
Pug. Sd. Pr. & Lt. 1st & Ref. "A" 5½s, '49	73	64	1.8	1.6	103¾*	50	13.0	None too strongly situated.
Southern California Edison								
Gen. 5s, 11.1.39	138	13	3.2	3.0	105	105	4.0	Entitled to the highest of ratings.
Ref. 5s, 1951	138	120	3.2	3.0	105*	99	5.1	Junior to issue above.
Standard Power & Lt. Deb. 6s, 1957	485	24	1.5	1.3	105*	38	..	Assumed by Std. Gas. Thin equity.
Texas Electric Service 1st 5s, 1960	34	34	2.3	2.0	105*	73	7.3	Reasonably strong.
Toledo Edison 1st 5s, 1962	28	28	3.6	2.7	105*	88	5.9	Good grade investment.
West Texas Utilities 1st 5s, 1957	25	25	1.6	1.3	103*	52	10.5	Under cloud Middle West debacle.
Western United G. & E. 1st "A" 5½s, '55	26	24	2.4	1.9	105*	69	8.7	Medium grade only.

Industrials

American International Conv. Deb. 5½s, '49	14	14	..	..	105	73	8.6	Asset value about $1,250 on 12.31.32. Is now, of course, much higher.
Bethlehem Steel Corp.								
10-yr. 4½s, 1933-1941	125	9	1.0	def.	N C	..	..	Good grade. Position being strengthened by increased business.
Midvale Steel & Ordnance 5s, 3.1.36	125	32	1.0	def.	105	96	6.7	Better grade.
Beth. Steel Co. 1st & Ref. "A" 5s, 1942	125	25	1.0	def.	105	102	4.7	Better grade.
McClintic-Marshall Coll. Tr. 5½s, 1933-37	125	10	1.0	def.	102½	..	..	Good grade.
Pacific Coast Steel 5s, 1933-1940	125	9	1.0	def.	100	..	..	Reasonably strong, tho unsecured by mtge.
Bethlehem Steel Co. P. M. 6s, 1998	125	8	1.0	def.	N C	110	5.4	High grade underlying issue.
do P. M. & Imp. 5s, 7.1.36	125	24	1.0	def.	105	97	6.2	Better grade.
Crucible Steel Deb. 5s, 1940	13	10	def.	def.	102*	68	11.9	Still second grade, tho outlook improved.
Inland Steel 1st "A" 4½s, 1978	41	41	1.7	def.	102½*	85	5.4	Fundamentally a strong bond.
Phillips Petroleum Deb. 5¼s, 6.1.39	31	30	def.	1.3	101⅜*	88	7.8	Position improved. Prospect encouraging.
Procter & Gamble Deb. 4½s, 1947	10	10	20.1a	23.8a	105*	105	4.0a	Years to June 30, 1932-33. High grade.
Standard Oil Co. (N. J.) Deb. 5s, 1946	127	90	3.2	2.6	102*	104	4.6	An investment of the highest class.
Western Electric Deb. 5s, 1944	35	35	3.3	def.	105 '34*	99	5.1	Still better grade, despite disappointing business improvement.

Short-Term Issues

	Due date							
Chesapeake & Ohio 1st Cons. 5s	5.1.39	30	3.5	3.2	N C	106	3.8	Investment of the highest grade.
Consumers Power 1st & Ref. 5s	1.1.36	33	3.8	3.0	105	103	3.7	Exceedingly high grade issue.
Cumberland Tel. & Tel. Gen. 5s	1.1.37	15	3.7m	3.2m	N C	104	3.7 m	Earnings Sou. Bell Tel. assuming co.—Highest grade.
Edison Electric Ill. (Bos.) Notes 5s	5.2.35	71	3.2	2.6	100½*	102	3.6	Company enjoys a fine credit standing.
Great Northern Power 1st 5s	2.1.35	7	..	..	110	100	5.0	Reasonably sound issue.
Texas Power & Light 1st 5s	6.1.37	25	2.1	1.8	105	99	5.3	Of good investment caliber.
Third Avenue R. R. 1st 5s	7.1.37	5	1.9	..	N C	90	8.0	Among the stronger traction issues.

† Fixed charges times earned is computed on an "over all" basis. In the case of a railroad, the item includes interest on funded and other debt, rents for leased roads, miscellaneous rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends, minority interest, etc. ‡ An entry such as 105 '36 means that the bond is not callable until 1936 at the price named. * Indicates that the issue is callable as a whole or in part at gradually decreasing prices.

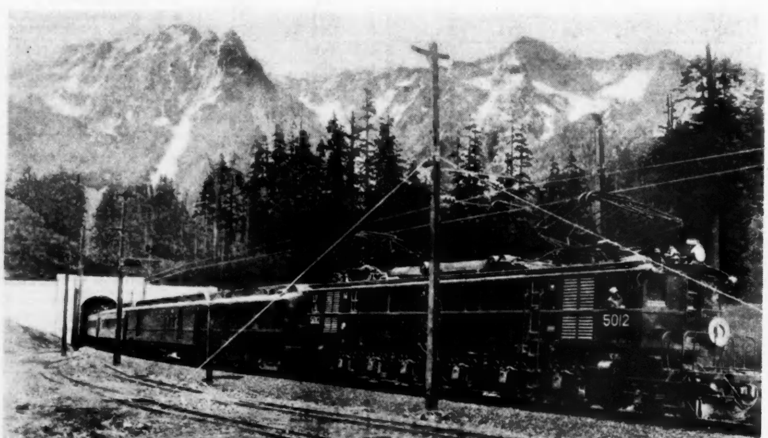
GREAT NORTHERN RAILWAY

Earnings of Large Northwestern Carrier Show Improvement

The Worst of the Severe Decline in Tonnage of Agricultural and Industrial Products Is Over, but Further Gain Is Needed

By Pierce H. Fulton

"YOUNG man, remember that the Great Northern carries only products raised in the ground, therefore, we can't have a depression such as they have in big industrial areas like those surrounding Pittsburgh and Chicago."


"The Empire Builder" Emerging from Cascade Tunnel

With these characteristic words James J. Hill, "Empire Builder of the Northwest," and then president of the Great Northern Railway, was accustomed to close interviews with the writer, upon the occasion of Mr. Hill's frequent trips from his headquarters in St. Paul to New York. That was 20 to 25 years ago. That great leader of men and affairs ceased his earthly activities in 1916.

In the meantime there have been at least two periods of depression in this country, one in 1921 following the post-war inflation, and the second that began late in 1929. The Great Northern Railway, like every business enterprise, felt the adverse effects of those setbacks in the onward movement of affairs, much more in the case of the second than the first.

That particular railroad in 1921 suffered a loss in gross earnings of $5,484,329 in comparison with 1920, the last previous year of big earnings for the railroads of the United States generally. Because of a sharp reduction in operating expenses when the property was returned to company control from operation by the Government, net railway operating income for 1921 was considerably larger than for 1920, the last year of Government control.

In 1932 gross earnings of Great Northern dropped $70,383,562 from 1929 (a year of abnormally large railroad earnings) and $62,494,759 from 1927 (a more nearly normal year) and $49,446,830 from 1930 (more like 1927). Net railway operating income in 1932 was $31,166,972 below 1929, $27,119,989 less than in 1927 and $20,621,957 under 1930. In 1932 there was a deficit of $13,405,439 after fixed charges, which means that one of the three big railroad systems of the Northwest that earned $10.31 a share on its stock in 1929, failed to earn the interest on its bonds in 1932. For the first seven months of this year the deficit on these obligations was $7,235,556. These figures seem practically impossible and unbelievable. Check them and you will find that they are correct.

No more facts or figures are needed to establish the fallacy of Mr. Hill's optimistic and enthusiastic assertion, when taken literally. Of course, what he really meant was that through a period of years, the freight traffic of the Great Northern, which then consisted so largely of agricultural products, would not experience so serious a decline as that of railroads that depended more upon the products of mines and mills for their freight revenue.

In the 20 to 25 years since Mr. Hill was accustomed to make the statement with which this article starts, not only has the quantity of each important commodity carried by the Great Northern increased materially but its freight traffic has become much more diversified. As to the increase in the volume of the outstanding commodities that have been transported all these years, it may be noted that in 1929 the movement of ore totalled 19,540,025 tons. Great Northern was carrying ore 25 years ago, but it may be safely assumed that the figures then were much smaller than for the boom year just mentioned.

To show how much a railroad can

suffer in three years in the loss of tonnage in a single commodity, it may be noted that in striking contrast with the high level for the ore movement in 1929, Great Northern carried only 776,742 tons in 1932. In 1929 ore represented 49% of the entire freight traffic of that company. In 1932 the ratio was only 6.61%. Products of mines as a whole in 1929 contributed 63.35% of Great Northern freight traffic. In 1932 the figure was 36.47%. From products of agriculture Great Northern derived 14.11% of its freight business in 1929. In 1932 it got 28.60%. If Mr. Hill were alive today he might easily suggest, with a characteristic twinkle of the eye, that if during the depression beginning late in 1929, Great Northern had still been a more distinctively agricultural or "granger" road, a term that is seldom heard these days, it might not have suffered nearly as much as it did in the matter of traffic and earnings.

The fact is that tonnage of agricultural products fell off from 5,596,778 tons in 1929 to 3,359,718 tons in 1932. This was a big shrinkage. It was due in part to damage to crops and low prices for them, as well as to the effects of the general depression in this country.

Notwithstanding what has been said, the Great Northern is still one of the three important railroad systems of the Northwest, with a notable earning capacity. The other two roads are Northern Pacific and St. Paul. The lines of Great Northern extend from St. Paul on the east to Portland on the Pacific Coast and embrace about 8,500 miles of road. These lines not only traverse rich agricultural, mining and oil producing areas, but they also serve such important intermediate cities as Lewistown, Great Falls, Helena, Butte, Billings, Tacoma and Spokane. Lines to the north reach Duluth, Winnipeg and Vancouver, important Canadian port.

Glacier National Park, one of the most attractive scenic parks and playgrounds in the Northwest and in any part of the United States, is located on the main line of the Great Northern. For many years it has been a source of considerable additional passenger traffic, in winter as well as in summer. This park and Waterton Lakes Park, adjoining it on the Canadian boundary, form a vast international playground. Glacier Park, the eastern entrance to this area, is on the main line of Great Northern, less than 38 hours from Chicago, 28 from the Twin Cities and 22 from Seattle and Portland. The great region embraced by these two parks is still an unspoiled wilderness but yet within its limits, in perfect harmony with the beauty wrought by nature, are to be found all modern conveniences in the way of hotels, buses, etc. As passenger fares are further reduced and the American people become more educated to the desirability of "seeing America first," the attractiveness of these parks should add materially more to the passenger earnings of Great Northern. The same should be true, by the way, of all the other wonderful parks and playgrounds of the United States and the railroads by which they are conveniently served.

Great Northern, for many years, has derived material benefits through its joint ownership with Northern Pacific of about 98% of the outstanding stock of Chicago, Burlington & Quincy R.R. Co. These benefits came through being given a line from St. Paul to Chicago, thereby making possible a through trans-continental line from the latter point to the Pacific Coast; through the additional freight traffic received from the Burlington, whose lines traverse extensive and rich agricultural and coal producing areas, and through the dividends received on Burlington stock, which, for some years, until last year, were at the rate of $10 a share per year. These dividends paid the interest on the bonds issued against Great Northern's one-half ownership of the stock of that company. The reduction in the Burlington dividend last year to $3 per share placed a heavy additional fixed charge burden on Great Northern.

Burlington's earnings for several months have shown distinct improvement. For July its gross increased $2,079,491 and its net operating income $2,229,287 over the corresponding month of last year. Net income for July was $1,551,006 against a deficit of $668,794 in 1932. If Burlington's earnings continue to increase substantially during September and October, as they always did in anything like normal years, it should show net income of perhaps several million dollars for 1933. In that case the directors might declare a dividend of $1 a share in December, which would require $1,708,381 and would give Great Northern $854,190. This would help to that extent in making up whatever deficit there may be on fixed charges for the year. Burlington may get a small dividend on its Gulf, Mobile & Northern shares. Net in-

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The Railroads Begin the Fight to Regain Passenger Traffic Losses

Slashing of passenger fares by the Eastern railroads marks a determined effort to recoup some of the passenger traffic losses suffered from airplane and bus competition. With the exception of New England, the basic rate throughout the East will be 2 cents a mile for round-trip tickets and 3 cents a mile for one-way tickets. Elimination of surcharges has also been voted by the presidents of the Eastern carriers. The new rates will take effect not earlier than November 1 nor later than December 1.

The present basic rate of 3.6 cents a mile has been in effect since 1920 and compares with a pre-war basic rate of 3 cents. Thus, in a time of wide economic changes in almost all fields, the Eastern roads held stubbornly to a relatively high rate while passenger traffic and revenue dwindled away. Agitation for the reduction was initiated by the Western and Southern roads and was tacitly supported by the Interstate Commerce Commission. The step now taken marks a surrender by the New York Central and the Pennsylvania. These two carriers, with the New Haven, which has not yet come into the new arrangement, originate approximately 70 per cent of the total rail passenger business in the country.

Low rates experimentally tried in the West and South have achieved promising results. The success of special rates to the Century of Progress Exhibition in Chicago also played a part in convincing rail executives that the time has come to fight for business.

What the Expiration of Surcharges Means to the Railroads

The Effects of Emergency Rates and Their Relation to Current Earnings

By C. Hamilton Owen

On January 1, 1932, the Interstate Commerce Commission permitted railroads to impose emergency rate surcharges on certain specified commodities. These surcharges will expire by limitation on September 30, and the railroads will lose a sum equivalent on the average in 1932 to 1½% of gross revenues. There have been no applications on the part of the railroads, however, for their continuance. Instead they have petitioned the Commission to grant higher basic schedules on several hundred items.

At the time that the surcharges were granted the I.C.C. estimated that they would produce an increase of at least $100,000,000 in annual revenues based on the 1931 volume of freight. Actually the roads collected less than $64,000,000. Moreover, it did not take the railroads long to discover that these surcharges, far from accomplishing their purpose, were actually reacting to their disadvantage. The carriers, already smarting under the loss of considerable traffic to other mediums of transportation, were chagrined to find that competitors lost no time in bidding—and successfully — for increased patronage at a lower cost to the shipper.

As a consequence, many roads not only lost a good part of the advantage of higher freight tariffs but, in order to forestall further inroads by highway transportation services, were compelled to reduce *basic* rates. Small wonder then that they are not interested at this time in having the period of surchages extended. They will be satisfied to have former basic rates restored. In this connection it should be made clear that the surcharges were mandatory and could not be rejected by the railroads. All revenues accruing from surcharges were diverted to the Railroad Credit Corp. which in turn lent the money to carriers requiring financial assistance. As these loans are repaid the funds will be re-distributed to the roads from which they were received. No loans have been granted subsequent to May 31, 1933, and the Railroad Credit Corp. has since made several repayments.

Despite the questionable benefits resulting from the imposition of surcharges, it can not be denied that they contributed something to railway revenues. Last year they amounted to over $6,000,000 for New York Central and to more than $7,600,000 for Pennsylvania. Out of seventy-three roads, however, only nineteen received over $1,000,000 and in no instance did the amount equal as high as 5% of total gross revenues. In only three instances was the percentage higher than 4%.

In the current year, surcharges will be collected in all but the last three months. The effect upon earnings, therefore, should not be significant in the face of the material improvement which has occurred in traffic and revenues since the end of the first quarter. Moreover, it does not seem that the removal of surcharges offers a sufficiently valid reason to be held solely accountable for the recent market action of railroad stocks and bonds. Granting that railway earnings for the final quarter will be less than would otherwise be the case were they not "ex" surcharges, the lower level is unlikely to imperil seriously fixed charge coverage or shareholders' equity. This, of course, presupposes that traffic will hold its seasonal relation to the recent volume. In time also the restoration of basic rates on an increased freight volume should largely com-

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Surcharges Collected in 1932 and Estimated 1933 Earnings

	Surcharges Received 1932*	Per Cent 1932 GROSS	Earned Per Share 1932	Estimated Earnings 1932
Atchison, Topeka & Santa Fe	$1,667	1.3	$0.55	$1.10
Atlantic Coast Line	619	1.7	def	def
Baltimore & Ohio	3,584	2.9	def	Nil
Bangor & Aroostook	79	1.3	3.23	3.10
Boston & Maine	939	2.1	Nil	Nil
Central R. R. of N. J.	804	2.7	def	0.10
Chesapeake & Ohio	2,362	2.4	3.05	3.50
Chicago, Mil., St. P. & Pac.	1,713	2.0	def	def
Chicago & Northwestern	1,516	2.1	def	def
Chic., R. I. & Pac	1,198	1.7	def	def
Delaware, Lack. & West	986	2.1	def	def
Erie	1,770	2.4	def	Nil
Great Northern (Pfd)	646	1.2	def	def
Illinois Central	1,898	2.1	def	0.25
Kansas City Southern	243	2.5	def	def
Lehigh Valley	979	2.5	def	def
Louisville & Nashville	1,275	2.0	def	2.50
Miss.-Kansas-Texas	444	1.6	def	def
Missouri Pacific	1,365	2.0	def	def
New York Central	6,074	2.1	def	0.25
N. Y., Chic. & St. Louis	681	2.3	def	Nil
N. Y., New Haven & Hart	1,242	1.7	def	def
N. Y., Ont. & Western	245	2.3	1.34	1.50
Norfolk & Western	1,525	2.4	11.29	14.00
Northern Pacific	554	1.2	def	0.10
Pennsylvania	7,604	2.3	1.03	1.75
Pere Marquette	591	2.8	def	Nil
Pittsburgh & West Virginia	98	4.4	def	0.15
Reading	1,439	2.8	1.02	2.75
St. Louis-San Francisco	806	1.9	def	def
St. Louis-Southwestern	210	1.7	def	def
Southern Pacific	1,878	1.3	def	def
Southern Railway	1,409	1.9	def	def
Texas & Pacific	356	1.7	Nil	Nil
Union Pacific	1,123	1.0	7.49	9.30
Western Maryland	339	2.8	Nil	Nil
Western Pacific	152	1.4	def	def

* 000's omitted.

GENERAL MILLS, INC.

Maintains Stable Earning Power

Strong Trade Position, Large Resources and Excellent Management Assure Further Progress

By Francis C. Fullerton

OF all the large mergers, consolidations and expansion programs which took place during the boom years of 1928 and 1929, few, indeed, have proved to have been as soundly conceived as General Mills, Inc. Looking back a year or two at all the reduced and passed dividends, at all the retrenchment programs and the over-harsh economies practiced at the expense of labor, at all the bankruptcies and receiverships, the fact that General Mills is still paying the same regular common dividend that was paid initially in the fall of 1928 becomes all the more remarkable.

The company is a holding company, formed for the purpose of bringing together a number of large and old-established flour-milling companies. Others were added later and the company now operates nineteen flour mills, ten feed mills and two cereal mills, which are strategically located throughout the principal grain producing regions of the country. The flour mills have a daily capacity—on the basis of a 24-hour day—of more than 80,000 barrels of flour, while the feed and cereal mills—on the basis of a 16-hour day—are capable of producing nearly 6,000 tons of feed and 720,000 pounds of cereals.

Perhaps the company's best-known brand of flour is "Gold Medal" although, among others, much goodwill attaches to "Rex", "Amaryllia", "Heliotrope" and "Pride of Perry". In addition, General Mills produces a number of special flours and bakers' flours. Considerable money has been expended on introducing, or keeping before the public, various packaged specialties. These include "Wheaties", a breakfast food, and "Bisquick", a flour for home-made biscuits which has had a quite sensational success. As can be realized from noting the company's productive capacity, the feed division is an important one, distributing its output under the name "Gold Medal", "Larro" and "Sperry".

The capitalization of General Mills, Inc., is a simple one. Outstanding in the hands of the public there are solely 222,664 shares of 6% cumulative preferred stock of $100 par value and 662,454 shares of common stock of no-par value. There is no funded debt and no notes payable. It should be remembered, however, that "notes payable" in the case of General Mills does not carry quite the significance as would the same item with the majority of companies. For example, the company's terminal and country elevators have a total storage capacity of nearly 50,000,000 bushels of grain and it is only natural when this is extensively employed, particularly in a time of high prices, that the company borrow money to carry its commitments. Such loans, however, are just temporary and are liquidated on the sale of the finished product, any price change having been hedged in the grain-futures markets.

Reporting for the fiscal year ended May 31, last, General Mills showed a net profit of $4,081,655, after depreciation, interest, Federal taxes and minority interest. This, after the dividend requirements on the preferred, was equivalent to $4.12 a common share, excluding the stock in the treasury. In the previous four years, the company earned $3.93, $3.71, $4.83 and $4.58, respectively. This is a remarkably stable record considering the general difficulty of the times, to which were added for this company such special difficulties as governmental interference with the grain markets and the consequent impairment of their value for hedging purposes.

The first dividend paid by General Mills on the common stock was on November 1, 1928, a few months after the company's formation. It amounted to 75 cents a share. Maintaining quarterly payments at the same rate, in addition to an extra of 50 cents, the company paid in all $3.50 a share in the following year. The regular rate of $3 annually has been paid ever since and at the current price of about $65 a share the stock of General Mills affords a yield of about 4.6%. This is not, of course, a high return, but it is covered with a comfortable margin to spare and should past performance be continued into the future there are possibilities that extras will be declared from time to time.

In weighing the likelihood that the past record of General Mills, Inc.,

General Mills, Inc.

Profit and Loss a/c. Years to May 31.

	1933	1932	1931
Net Sales	$83,886,335	$87,165,627	$122,746,136
Costs and Expenses	78,312,162	81,796,522	116,894,989
Interest	92,672	158,922	613,782
Depreciation	1,005,703	988,031	963,050
Profit	$4,475,798	$4,222,152	$4,274,315
Other Income	333,537	340,981	145,853
Total Income	$4,809,335	$4,563,133	$4,420,168
Federal Taxes	720,039	651,084	546,512
Minority Interest	7,641	20,849	3,991
Net Profit	$4,081,655	$3,891,200	$3,869,665
Earned per share after pref. divs.	$4.12	$3.93	$3.71

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Vick Chemical | Bristol-Myers | Sterling Products

Life Savers | United Drug

The Outlook for the Offspring of Drug

Recent Split Up of Drug, Inc., Introduces Five Companies with Varying Merits for Investment and Speculation

By John D. C. Weldon

WE have become so accustomed to corporate mergers and to ever larger business units in this country that any move in the opposite direction is something of a novelty. For this reason unusual interest, if not curiosity, attaches to the recent unscrambling of Drug, Inc., a $100,000,000 combination put together in 1928 and now split into five companies independent of each other in management and directorates.

Earnings Record and Prospect

	1932 Net Sales	Operating Profit Margin	Profit Per Share 1932	Est. Profit 1933	Probable Dividend
Sterling Products	$24,914,000	40.4%	$5.33	$5.45	$3.75
Bristol-Myers	9,617,000	30.9%	3.49	3.48	2.50
Vick Chemical	7,942,000	40.4%	3.74	2.71	2.25
Life Savers	3,214,000	32.8%	2.52	2.23	1.75
United Drug	26,536,000	10.2%	Def.	N F	Nil

N F—No basis of estimate available.

In one respect there may be said to be a continuing unity of interest at least for the present, for each former owner of 10 shares of Drug, Inc., has received in exchange 5 shares of Sterling Products, 4 shares of United Drug, 2 shares of Bristol-Myers, 2 shares of Vick Chemical, and 1 share of Life Savers Corp.

Independent Units

Unlike the court-enforced dissolutions of the old American Tobacco and Standard Oil "trusts," the unscrambling of Drug represents a wholly voluntary process dictated by ordinary profit-and-loss motives. It is expected that the several companies will be able to operate more efficiently as independent, and even competing, units. Within this corporate family, even prior to dissolution, there was a certain amount of product competition, especially as between some of the "Rexall" and "Puretest" brands marketed by United Drug through the Liggett and other controlled stores or agencies and some products of Bristol-Myers, Sterling Products and Vick Chemical.

It is only since dissolution of Drug, Inc., that official figures of sales and profits of the component subsidiaries have become available. Prior to the 1932 earnings report there was nothing in the record to indicate that the combination formed in 1928 by merger of Sterling Products and United Drug—and later enlarged by acquisition of several other companies—was other than strikingly successful. In the eleven months of 1928 during which the holding company was in operation profits were $12,014,336. Net income advanced to $17,013,543 in 1929 and, despite the onslaught of depression, reached a peak of $21,123,430 in 1930. Net fell to $19,433,237 in 1931 and to $13,448,642 in 1932. A dividend of $3 was paid in 1928 and $4 annually in the following years until last February, when the rate was cut to the original $3. Throughout Drug's relatively brief career earnings largely exceeded dividends, earned surplus increasing from $5,492,000 in 1928 to but slightly less than $25,000,000 at the end of last year. From the start an increasingly strong working capital position was a feature of the enterprise.

It is now possible for the first time to dissect the above earnings figures, and in so doing we come readily to a logical reason for the dissolution. Whereas in 1931 United Drug contributed, roughly, $2,100,000 to the parent company's earnings, it lost $2,500,000 in 1932, largely due to the difficulties encountered by the Liggett chain of stores. Without this net change of $4,600,000 earnings of Drug, Inc., would have reflected a notable resistance to depression.

Varying Sales Trends

Further dissection reveals additional pertinent facts. Sales of United Drug reached their peak of $41,665,821 in 1928 and declined to $26,536,059 in 1932. United Drug in 1928 accounted for 51.2% of Drug, Inc., sales and for only 36.7% in 1932. Sales of Sterling Products reached their peak of $28,442,128 in 1931 and declined to $24,914,127 in 1932. The latter total in the year of most acute depression was in excess of sales for both 1928 and 1929. It accounted for 34.4% of the parent company's sales total, against 28.6% in 1928.

Bristol-Myers sales made their high mark of $10,054,000 in 1931, declining to $9,617,000 in 1932. The latter figure was more than 50% in

excess of this company's 1928 sales. Its percentage of Drug's total jumped from 7.5 in 1928 to 13.3 in 1932. Thanks to new products and extensive advertising, Vick Chemical sales set a new high of $7,942,000 in 1932, accounting for 11.6% of the combination's total, against 7.8% in 1928 and 6.1% in 1930. Sales of Life Savers were $3,886,000 in 1928, $4,356,000 in 1930, its high year, and $3,214,000 in 1932; its percentage of total sales for these years being, respectively, 4.7, 5.3 and 4.4.

Thus, United Drug, which is primarily a merchandising enterprpise, although it manufactures certain of its products, has shown a declining trend in sales, while sales volume of the four manufacturing companies has held either stable or has increased.

A similar sharp contrast is shown in margins of operating profit. In 1928 United Drug's profit margin was 14.7% of net sales. It reached its high of 15.4% in 1930, dropped to 10.2% in 1932 and to 6.8% in the first five months of 1933. Among the four manufacturing companies the lowest profit margin in 1932 was 30.9% and the highest 40.4%; and for the first five months of this year the lowest was 27.7% and the highest 39.9%.

In short, the profits of Drug, Inc., tended to be derived more and more from the manufacturing units, with the retailing subsidiary becoming an increasing drag. This fact, not surprising, of course, in the nature of the business, has previously been known in general, but not in detail.

It largely explains the recent friendly divorce on the grounds of incompatibility, a divorce in which the division of property and working capital among the five members of the corporate family appears to have been satisfactory to all. Each starts its new corporate existence with a gratifying ratio of current assets to current liabilities and each has a reasonable chance for long life and happiness.

The new corporations are not new enterprises in any sense, all having established themselves in strong trade position long before Drug, Inc., was formed. Each will retain the chief executive officers who were directly in charge of the respective subsidiaries under Drug, Inc. In many instances the executives are merely resuming the status they occupied with the same units prior to the consolidation.

Financial Position

	Total Assets	Current Assets	Current Liabilities	Working Capital
United Drug........	$51,210,756	$28,394,517	$1,656,142	$26,738,375
Sterling Products...	41,053,054	27,935,443	1,918,914	26,016,529
Vick Chemical......	6,750,006	6,248,441	370,025	5,878,416
Bristol-Myers.......	6,393,158	4,755,327	555,395	4,199,932
Life Savers.........	3,081,127	2,244,670	220,808	2,023,862

In notifying Drug stockholders of the company's dissolution, A. H. Diebold, president, expressed the opinion that the aggregate of dividends to be paid by the new corporations "will be at least equal" to the $3 dividend paid by the parent company.

Investors' Return

This statement invites a bit of conjecture. The owner of 10 shares of Drug was receiving a total dividend of $30 a year at the time of dissolution. The same total would be had from a dividend of $3.75 on Sterling Products stock, providing $18.75 a year on the 5 shares received in exchange for Drug stock; a $2.50 dividend on Bristol-Myers, giving $5 a year on 2 shares; a $2.25 dividend on Vick Chemical, providing $4.50 a year on 2 shares; and a $1.75 dividend on the 1 share of Life Savers. Such a set-up would give shareholders the same dividend return previously received from Drug. This gives no consideration to United Drug, the 4 shares of which retained by the former holder of 10 shares of Drug are not without substantial speculative promise.

Checking these theoretical estimates with actual earnings, we find that on the present capitalization, Sterling Products earned $5.53 per share in 1929, $6.25 in 1930, $6.59 in 1931 and $5.33 in 1932. For the first five months of this year earnings were at the annual rate of $5.45 per share. This is an enviable record of depression-proof stability. Taking the lowest figure of the past four years, the stock, recently quoted on the Stock Exchange at 58, is selling for less than eleven times earnings. Out of total assets of approximately $41,000,000, the company's current assets are $28,000,000 and its working capital $26,000,000. In relation to the proven record of earnings and Sterling's strong financial position our estimated probable dividend of at least $3.75 per share appears conservative. A $4 rate would not be over-generous.

Vick Chemical earned $5.18 per share in 1929, $3.42 in 1930, $2.89 in 1931, $3.74 in 1932 and at the annual rate of $2.71 for the first five months of this year. This declining per share trend contrasts with an increasing trend in sales and reflects a lower profit margin. Profit margin on net sales was 56% in 1929, 40.4% in 1932 and only 27.7% during the first five months of 1933. This change is due to the expense of introducing and advertising new products. Two such products brought out in 1931 have become strong earners. On a new oral antiseptic introduced this year some $500,000 in promotional expenses have been charged against earnings in the first five months of the year. The company shows $6,250,000 in current assets and $5,878,000 in working capital, out of total assets of $6,750,000. Establishment of the company's latest product will probably restore profit margins to something like the former higher rates. On this basis the $2.25 dividend conjectured above appears reasonable. The stock, at 30 sells at slightly more than ten times current earning power.

Bristol-Myers' profit margin has shown a steady upward trend, rising from 26% in 1929 to 32.1% for the first five months of this year. It earned $3.49 per share last year and at the annual rate of $3.48 per share in the first five months of this year. Total assets are $6,393,000, current assets $4,755,000 and working capital $4,199,000. The $2.50 dividend suggested above as possible appears amply conservative. At 33, the stock is selling at less than ten times indicated annual earning power.

Life Savers' margin of profit has declined from 37.1% in 1928 to 30.6% in the first five months of this year. Total assets are $3,081,000, current assets $2,244,000 and working capital $2,023,000. The $1.75 dividend suggested above compares with earnings of $2.52 per share in 1932 and with earnings at the rate of $2.23 during the first five months of this year. At 21, the stock is quoted at less than ten times probable 1933 earnings.

In 1932 Drug, Inc., earned $3.84 per share. This would be $38.40 on 10 shares, or but $8.40 in excess of the dividend requirement. In contrast with this total, which reflected the loss of United Drug, total 1932 earnings on 5 shares of Sterling Products, 2 shares of Vick Chemical, 2 shares of Bristol-Myers and 1 share

(*Please turn to page 598*)

Strong Equities for Income and Profit

Present Conditions Require Prudent Discrimination in the Selection of Stocks for Investment. These Four Companies Are Dividend-payers, Are Financially Strong and Should Experience Further Revival in Earnings.

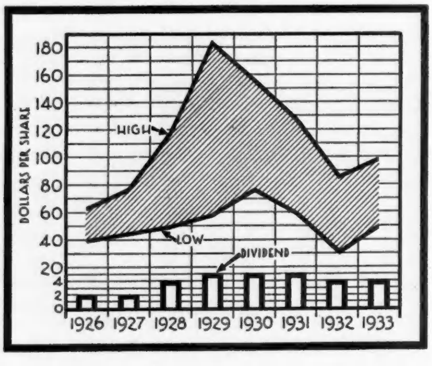
SELECTED BY THE MAGAZINE OF WALL STREET STAFF

American Can Co.

THE practical application of tin containers to commercial uses has broadened so widely in the past ten years that the once lowly tin can is today the basis of an important and profitable industry. Moreover, if present indications can be relied upon, the limit of growth has yet to be reached. A most desirable trait of the can industry, from an investment standpoint, is its demonstrated resistance of earning power to depression influences. Diversity of demand is the answer. While vegetables and fruit continue to account for the bulk of the demand, the industry is no longer subject primarily to the fickle trends which have been experienced in the food canning industry. The so-called "general" line cans have assumed a role of increasing importance. Obtainable in a wide variety of shapes and sizes, they are utilized for chemicals, paints, drugs, motor oils, tobacco, etc. Emphasis on the freshness of the product has reacted to the benefit of the can industry through broadening the list of foodstuffs now being sold in this form.

The industry is singularly free of vexing inventory problems. Contracts both for raw materials and the finished product are usually arranged a year in advance. The life of a tin container, after it has reached the ultimate consumer, is a short one. Once opened it is usually destroyed. Naturally, this assures the constancy of the replacement demand.

The features of the can industry, briefly outlined above, are well exemplified in the record of American Can Co., the leading unit and engaged in the manufacture of all types of tin containers. The company operates numerous plants throughout the United States, located at strategic points and chosen with a view to serving its customers to the best advantage. Representation abroad is obtained through a substantial financial interest in one of the largest can manufacturers in Great Britain. Competition from rival manufacturers in this country is aggressive but as yet has offered no serious challenge to American Can's dominance. Although comparative figures are not available, it is generally understood that American Can accounts for three times as much business as its nearest competitor. Competition from other forms of containers--glass, paper and fibre—must be reckoned with but here also there are no indications that this is an imminently serious threat. In fact, recent reports to the effect that American Can is engaged in developing a suitable container for beer, would suggest quite the contrary.



Capitalization of American Can is simple and readily supportable by normal earning power. Preferred shares outstanding number 412,333 and carry a $7 cumulative dividend. There are 2,473,998 common shares outstanding, currently paying dividends at the rate of $1 quarterly. Financially, the company ranks with the best. At the end of 1932 total assets amounted to nearly 193 million dollars, of which 23% were current. Cash amounted to $13,690,322; total current liabilities were less than 10 millions; and the ratio of current assets to current liabilities stood at 4.6 to 1.

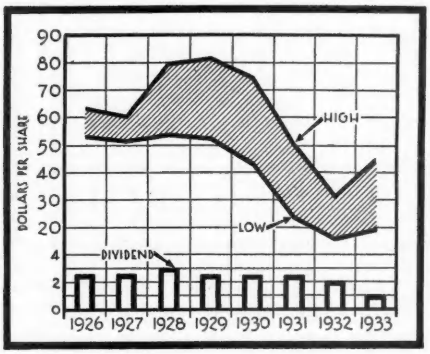
Over a period embracing the past seven years average annual earnings on the present amount of common stock have amounted to $5.69 per share. Limiting the average to the past three years, however, a figure of $5.48 is shown. These figures are significant in relation to the present dividend, suggesting not only the security of the present rate but that the former policy of paying $1 annually in the form of an extra dividend may again be resumed next year. The company does not publish interim reports of earnings, but resorting to conjecture, favorable factors in the current situation would seem to support an estimate of from $4.50 to $5 per share as reasonable. This would compare $3.26 last year. Restriction of the 1932 canning pack resulted in a relatively small carry-over of stocks into the current year and the demand for "general line" cans has doubtless responded to improved business conditions.

Minus any other considerations, the choice of American Can common stock in this group is well supported by the company's record both industrially and financially. Yet the market situation with respect to the stock would seem worthy of comment. "Can" common shares market leadership with such other active issues as U. S. Steel; American Tel. & Tel.; Sears, Roebuck; General Motors, etc. Attracting a wide following among traders and speculators, it is not surprising that

the stock normally sells at a high ratio to earnings and dividends. At recently prevailing levels the yield is only a little better than 4% and quotations are nearly twenty times estimated earnings for 1933. Hence the recommendation of the shares at this time must be predicated upon the expectation of larger dividends and increasing earnings—both of which seem well within the realm of possibility on the basis of current prospects.

Standard Oil of California

RATED as one of the largest producers and refiners of crude oil in the United States, Standard Oil of California obviously is vitally concerned with the efforts of the Government to relieve those conditions which have been responsible for the chaotic state of the oil industry for some years past. In opposition to some of the strongest units in the industry, the company has aligned itself squarely behind the Administration in support of its price-fixing policies. It is virtually impossible to foresee the ultimate effects of the efforts of the Government to conserve the nation's oil resources and bring about a desirable measure of price stability within the industry. It is to be doubted that the large profits of other years will be possible under strict Federal supervision. The need for a strong agency of control is not to be denied, and should the Government be successful in largely eliminating those malpractices which have characterized the oil industry, the large integrated companies will undoubtedly reap substantial benefits.



Erratic earnings are the rule rather than the exception with oil companies, and Standard Oil of California has experienced a generous quota of fluctuations from one year to the next. Yet the company's dividend record is one of which it may justly be proud, and even in the past three years stockholders have fared as well, if not better, than those of many other leading industrial organizations. In 1928 the shares paid $3. In 1929 the rate was reduced to $2.50 and was maintained until 1932, when it dropped to $2. Last May dividends were reduced to 25 cents quarterly. Despite an exceptionally strong financial position, the management has preferred to adjust dividends to conform with earnings—a policy fully in keeping with its record of conservatism. Last year the common stock earned $1.07 against $1.12 in 1931 and $2.88 in 1930.

Like all major oil companies the activities of Standard Oil of California embrace all phases of the industry. Its extensive producing and refining facilities are augmented with oil and gas pipe lines and a chain of service stations extending throughout the Pacific Coast states.

Handicapped by unfavorable conditions, particularly in the first quarter, the company was able to report earnings equal only to nine cents a share on the 13,200,900 shares of common stock (the only capital liability aside from a small amount of subsidiary preferred stock) in the first six months of the current year. In the same period of 1932 earnings amounted to 53 cents a share. Depreciation and depletion charges were maintained practically on a par with last year, and, incidentally, the amount written off for these items for the full 1932 year was equivalent to $1.32 a share. This is significant in that it suggests the ability of the company to maintain dividends, despite failure to fully earn them, inasmuch as payment of the present rates would entail no reduction in working capital.

Although dividends and market quotations of Standard Oil of California are again on a parity with Standard Oil of New Jersey, there are at present no indications that negotiations for a merger of these two companies are to be resumed. On their own merits, however, the shares of Standard Oil of California offer a conservative medium for obtaining a stake in a vast and important industry.

American Chicle Co.

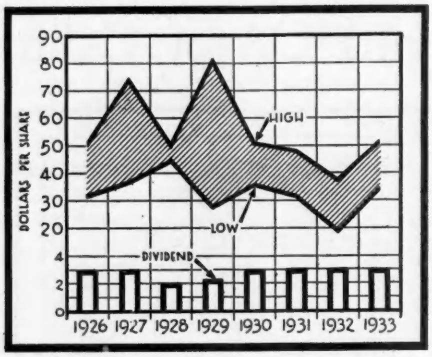
STABILITY, or at least immunity from wide fluctuations in earnings, rather than the prospect of dynamic profits, is an important factor in the choice American Chicle shares as part of an investment back-log. The desirability of consistent earning power and uninterrupted dividends in a period of business depression and investment uncertainty need hardly be emphasized. They should not be lost sight of during a phase of skyrocketing ticker prices. In the end these factors should fully compensate the investor for avoiding the obvious risks to be found in issues identified with "prince and pauper" industries, albeit the latter admittedly have greater speculative possibilities. Lest this appear to be in the nature of damning the shares with faint praise, attention is directed to the accompanying chart. The range of the shares marketwise over a period of years has been such as to indicate that the possibilities for enchancement in value are by no means absent.

American Chicle is one of the leading manufacturers of chewing-gum. Anyone prone to dismiss lightly the economic importance of the chewing-gum industry has only to observe the profitable record of those companies identified with it. Apparently it will take more than a major business depression to break the American public of the gum-chewing habit, and any industry which has been able to hold the support of the consumer, whose purchasing power has been severely curtailed, has a justifiable claim upon economic importance.

The products of American Chicle include Chiclets, Adams Chewing Gum, Dentyne Gum and Sen-Sen Breathlets. Most of these are extensively advertised and distribution is obtained through the medium of chain stores, drug stores, cigar stores, etc. Factories are located in Long Island City and San Francisco, and two wholly-owned subsidiaries operate

plants in Toronto and Mexico City. Chicle, the principal raw material, is obtained from Mexico and Central America. Practically the entire chicle output of these countries is taken by three large chewing gum manufacturers in this country under a plan which reduces the possibility of inventory losses to a minimum. Under any circumstances, freedom from inventory problems is highly desirable.

Last year American Chicle earned for its shareholders the equivalent of $3.60 a share. Earnings declined from $4.18 a share in 1931, and what was the most precipitate drop since the shares were split two-for-one in 1928. In the latter year the company earned $4.15; in 1929 $4.12, and in 1930 $4.42. One has only to consider for a moment the disaster which befell the earnings of many another industrial organization to appreciate this showing on the part of American Chicle. In addition to an almost constant demand the company derives considerable benefit from the fact its business does not require a large plant account, thereby eliminating heavy manufacturing costs and depreciation charges.



Another feature is the normally stable retail price situation. The company's products usually sell for five cents a packet, although competitive influences last year resulted in a reduction of this price to three packets for ten cents. This doubtless accounted largely for the accentuated drop in earnings.

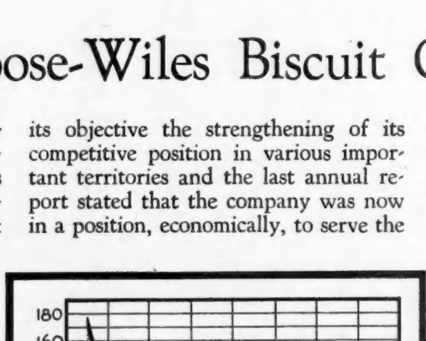
The company has no funded debt or preferred stock, the equity being vested entirely in the common stock. There are 470,000 shares outstanding. Financial condition as of June 30, last, disclosed current assets, including over 2.2 millions in cash and marketable securities, in excess of 4.6 millions as against less than $500,000 of current liabilities. Profits in the first half of the current year were equal to $1.75 a share against $1.94 in the same months of 1932. With the past six months providing the most profitable period in the company's year, results for 1933 should provide adequately for the present dividend of 50 cents, plus 25 cents extra, quarterly. Obtainable to yield better than 6%, the shares might well be selected for the purpose of enlarging the aggregate yield in a common stock portfolio.

Loose-Wiles Biscuit Co.

TAKEN as a whole the food industry has been able to withstand the adversities of business depression without the distressing experience of having its markets all but disappear. The reason for this is obvious and the necessitous nature of its products has stood it in excellent stead. Segregating the industry into its various groups, however, it is found that each has had to cope with problems strictly their own. The bakers of crackers have had to contend with price competition and a restricted demand for higher-priced products on which the margin of profit is larger. These conditions, nevertheless, did not prevent the two leading companies from maintaining operations on a profitable basis.

The bakeries of Loose-Wiles Biscuit Co., produce some 350 varieties of crackers and biscuits, marketed in package and bulk under the well known "Sunshine" trademark. In its field, the company has aggressive competition from National Biscuit and numerous smaller units throughout the country. The record of Loose-Wiles, however, attests its ability to meet this competition. Active advertising, attractive packages and the quality of its products doubtless have contributed heavily in the company's favor.

The expansion program carried on by Loose-Wiles in recent years had for its objective the strengthening of its competitive position in various important territories and the last annual report stated that the company was now in a position, economically, to serve the



entire United States. The distribution and sales of "Sunshine" products are handled through company agencies in more than 100 principal cities.

Flour and sugar comprise the company's chief raw materials. The low prices at which these commodities have been obtainable aided in offsetting a decline in sales, permitting a larger profit margin on many of the company's products sold at standardized prices. Last year, however, price competition annulled a considerable portion of this advantage. The latter condition combined with further restriction in the demand for fancy crackers adversely affected earnings to a point necessitating a reduction in annual dividends from $3 to $2.

With the retirement of $520,000 mortgage indebtedness last year, capitalization consists of 35,513 shares of $7 preferred stock and 526,000 common shares. After payment of preferred dividends, 1932 earnings were equal to $2.04 a share for the common. The peak of earnings was reached in 1929 when profits on the common amounted to $4.88 a share and in 1930 and 1931 the common earned $3.87 and $3.14 respectively. While profits in the first six months of this year were moderately lower, a decrease in the amount of common stock outstanding enabled the company to show earnings equal to $1.22 a share against $1.21 in the same period of 1932. With the probability that the last half of the year will be equally as good, if not better, than last year, the company should earn dividends with something to spare. A sound financial condition lends further assurance.

The common stock of Loose-Wiles is well suited for the purpose recommended—as a part of the investment back-log in a common stock portfolio. The shares yield a fair return and regular dividends may be augmented by extras with business improvement.

Taking the Pulse of Business

—Present Progress Slight

—Large Gains Since March

—Demand for Capital Goods Lags

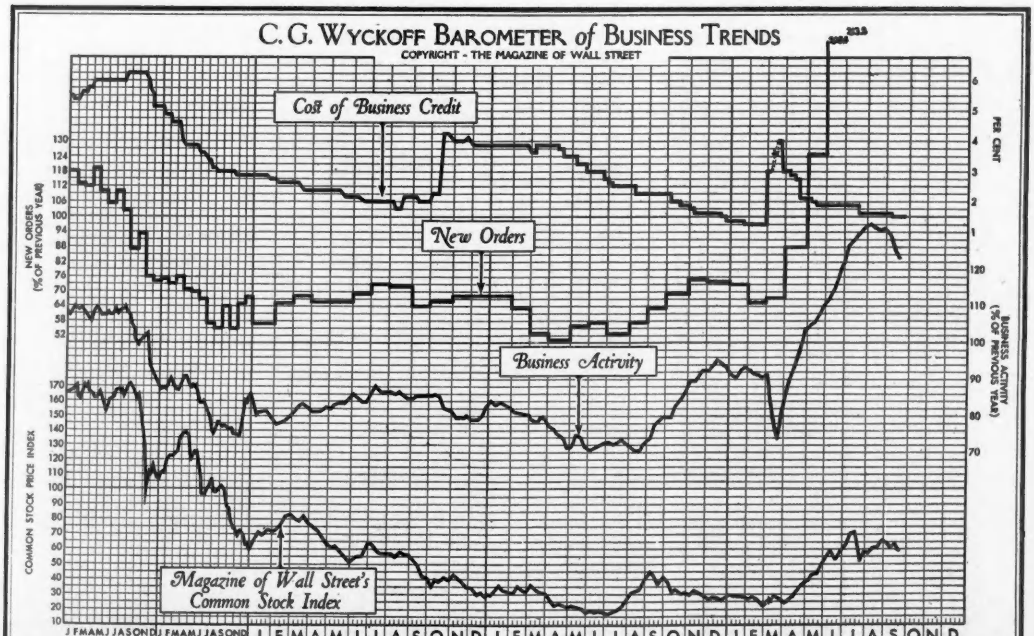
—Non-Factory Payrolls Fail to Expand

—Codes Eliminate Unfair Trade Practices

ACCORDING to the latest point on our graph, New Orders booked by the country's principal manufacturing plants continued to increase more rapidly than last year right up to the date of signing the first code; but it seems probable from unofficial reports received during August that a considerable slackening in new business has taken place since that time. Fortunately the reaction in production and distribution has been accompanied by a relatively heavy expansion in demand for consumers' goods; so that it was not until a few weeks ago that our index of Business Activity began to show any appreciable recession in the total physical volume of production, distribution and trade. Since our last issue, however, there has been a four- or five-point drop in this index, part of the severity of which may be attributed to the circumstance that comparison now is with a period last year when business was on the upgrade. Measured in terms of normal, it appears that the average level of business has receded to around 72% of normal, from the July maximum of 77%. This is a fairly large reaction; but, viewed in proper perspective it should occasion no alarm when we take into consideration the encouraging fact that business conditions are still about 40% better than only five months ago.

The fact that more stable forces making for recovery have been admixed with alternating rumors and denials of inflation, and complicated by other measures aimed to raise prices, has introduced so many speculative ups and downs in the path of recovery that it is sometimes difficult to discern the real trend. Under the circumstances we can best keep our bearings by referring current progress to some fixed point, such as the month of March, when nearly everything was at its lowest ebb. Thus we find, according to Government estimates, that within the comparatively brief period of five months, about 2¼ millions have gone back to work, payrolls have increased at the rate of two billion dollars a year, farm income has risen at the annual rate of about two billions, department store sales have expanded in dollar volume in the amount of about 14%, and general business activity is 40% better than in March. Of course we have a long way to go before returning to normal, and 11 millions of people who should be employed are still out of work; but business was very sick, and is at last making notable progress toward recovery.

In view of the truly gratifying progress already made, there is no occasion for discouragement in recognizing frankly that several important obstacles will have to be overcome before business can return to normal. Among these are the poor demand for capital goods, which cannot be revived until the banks loosen up on credit and there is a broader market for new issues of securities. Government fostered construction work will relieve the situation a little, but will fall far short of filling the void. Another difficulty is the conspicuous lack of expansion in non-factory payrolls, which have thus far shown practically no increase since March, whereas factory payrolls are up 56%. Stated



otherwise, we find that, while the rise in factory wages has kept just a little ahead of the cost of living, the purchasing power of other non-agricultural workers has fallen considerably during the past five months. As the latter outnumber those employed in manufacturing by three to one, it is evident that the total demand for goods must recede soon unless ways are found to distribute incomes more evenly. In the meantime, many industries are benefiting by elimination of unfair trade practices under the codes, as may be inferred from the following thumbnail reviews:

The Trend of Major Industries

STEEL—Labor costs of the country's steel industry under the code have increased by nearly $100,000,000, which is approximately 10% of gross sales at the present rate of operation. It had been hoped that an autumn expansion in activity which usually sets in immediately after Labor Day would absorb this added expense; but owing to the slack demand for capital goods, and recent weakness in scrap prices, consumers are holding off in hope of a general downward revision in prices. The consequent dearth of new orders has therefore caused a further drop in operations to around 40% of capacity. About the only sustaining influence at the moment is the continued demand for tin plate; though material for government works and moderate demands from the railroads should warrant some increase in production before many weeks have elapsed. Just at present, however, few concerns are earning fixed charges.

METALS—Non-ferrous metal prices have risen moderately since our last issue, partly in sympathy with sharp advances in gold and silver, and partly owing to recently released reports of sizeable reductions in inventories held by producers. Silver has risen to 40 cents, and gold is flirting with the $32 mark. In view of the present slackness in new construction work, it seems probable that the reported reductions in inventories of non-precious metals reflects largely a speculative movement from producers to middlemen rather than a *bona fide* increase in consumption. If so, the situation is not so healthy as appears on the surface.

PETROLEUM — For the seven-day period ended September 16, which was the first week of operation under Federal supervision, daily average output of crude oil dropped 88,000 barrels to 2,603,450, which was 193,000 above the NRA allowable. Of this excess production, 128,000 barrels is chargeable to Texas, which is striving to have its quota raised. The recent advance in prices for gasoline and crude is predicated upon the assumption that the Federal Government can enforce its regulations. If so, the industry's outlook is much improved. But if the control breaks down, there will be a return to overproduction and falling profits. The next few weeks should tell the story.

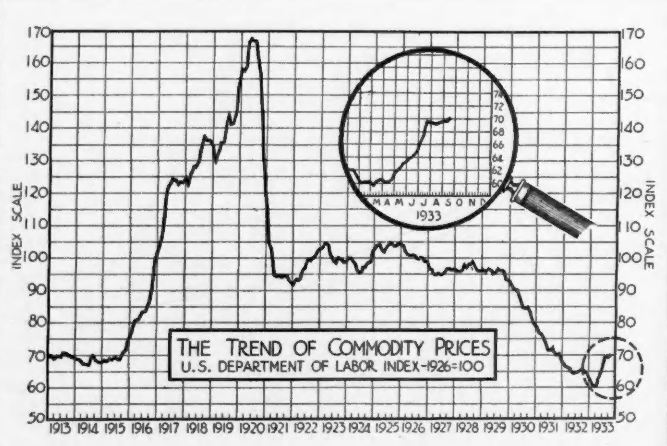
COAL—President Roosevelt's approval of the soft coal code should mark a turning point in the profits of this industry which, for years, has been torn to shreds by internecine strife. Larger payrolls will necessitate higher prices for coal, and it is expected that such increases will more than compensate for heavier costs of production. From a percentage viewpoint, the poorer grades of coal, which have been selling as low as 25 cents a ton at the mines, will experience the largest advance. Prices at retail may be as much as $2 a ton higher than at present. Some difficulty is being experienced, however, in adjusting existing contracts with railroad consumers, which are based upon ruinously low prices.

RUBBER—Another movement to restrict rubber output is under way. This time an attempt is being made to harmonize the divergent views on prices and quotas held by the semi-native Ceylon Government, the Dutch East Indies Government and the French and British governments. It is doubtful whether any workable plan will result, and the industry has more reason to be hopeful of the greater-than-seasonal tire consumption in the United States than of any artificial restriction. Rubber futures on the Commodity Exchange at New York recently have held reasonably firm.

INSURANCE—New life insurance written in August was 3.1% greater than in August last year. This is the first month to show an increase over the previous year since January of 1932.

Conclusion

While gratifying progress toward recovery from the depths of the most severe depression in history has been achieved since March, it is noteworthy that improvement has been fitful and very irregularly distributed. The upward path has zig-zagged up hill and down dale with the speculative advances and reactions in commodity prices, and the goal of normal business conditions is still made difficult of access by many obstacles. Chief among these is the poor supply of liquid capital, despite the prevailing low Cost of Business Credit. Without a revival in demand for new construction, it will not be feasible to shorten working hours sufficiently to absorb all of our population who should be gainfully employed, nor to make all lines of business normally profitable. Nevertheless, many concerns are already making money, and others will come out of the red as time passes.

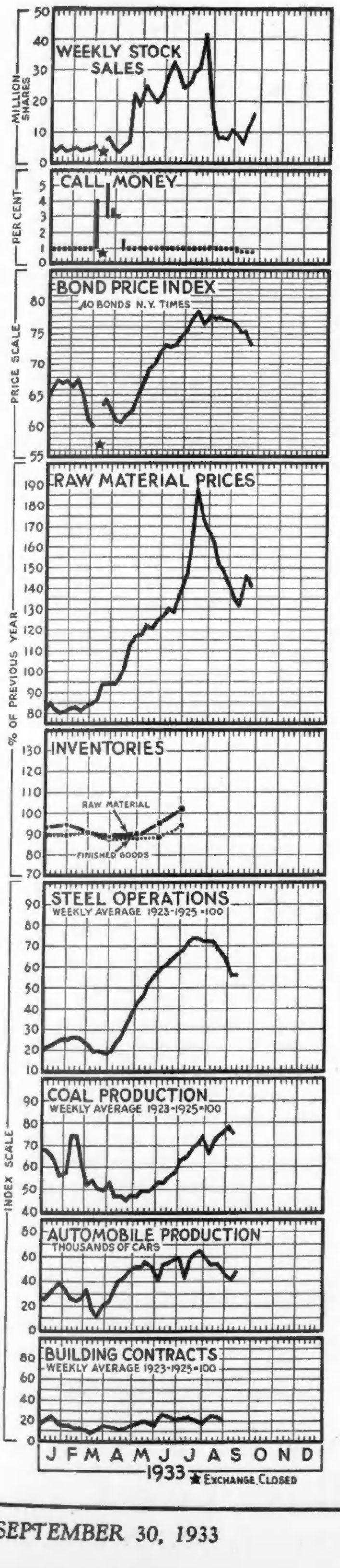


Changes in Major Commodity Price Groups for the Fortnight Ended September 16, 1933

Farm products	down	1.2	Metals	up	0.3
Foods	down	0.2	Building materials	up	1.0
Hides and leather	down	0.9	Chemicals	down	0.1
Textiles	up	1.3	Housefurnishings	up	1.7
Fuel and lighting	up	5.3	Miscellaneous	down	0.4

The Magazine of Wall Street's Indicators

Business Indexes

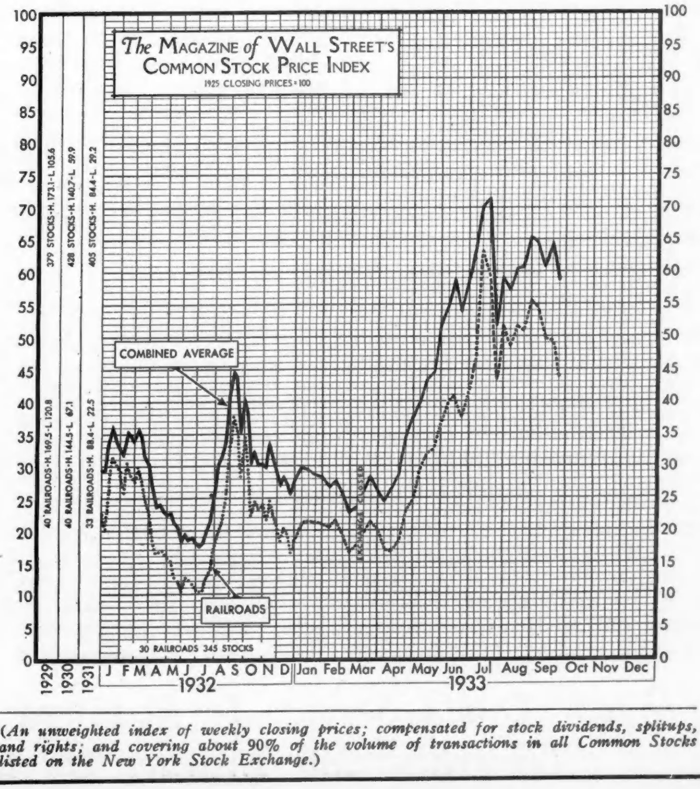


Common Stock Price Index

1925 Closing = 100

1932 Indexes High	1932 Indexes Low	1932 Indexes Close	Number of Issues		1933 Indexes High	1933 Indexes Low	Sept. 9	Sept. 16	Sept. 23
45.0	17.5	27.4	280	COMBINED AVERAGE	71.3	22.7	60.8	64.1	58.5
66.8	17.9	32.3	3	Agricultural Implements....	116.0	26.8	84.1	86.9	75.7
59.3	11.4	16.9	6	Amusements..............	37.8	7.3	31.7	36.1	31.9
31.3	10.7	17.5	14	Automobile Accessories....	50.9	12.4	41.5	46.0	40.0
17.6	5.8	10.6	14	Automobiles..............	22.7	7.3	19.0	19.8	17.3
62.5	16.2	56.2	4	Aviation (1927 Cl.—100)....	102.9	41.8	78.6	83.1	70.7
13.1	4.8	5.6	3	Baking (1926 Cl.—100).....	26.5	5.1	20.2	20.0	17.9
129.9	60.1	96.0	2	Biscuit.................	157.5	79.9	150.8	152.8	148.6
83.8	29.6	47.4	5	Business Machines........	128.8	39.8	110.8	116.3	106.8
119.0	51.0	101.5	2	Cans...................	175.5	92.9	167.0	175.5h	171.0
113.3	53.6	96.3	8	Chemicals & Dyes.........	278.7	73.2	239.3	265.2	244.5
44.3	13.1	18.9	2	Coal....................	45.9	12.0	34.0	36.2	30.8
24.8	9.9	14.2	14	Construction & Build. Mat..	38.7	11.2	32.2	33.6	30.3
57.2	14.9	24.0	8	Copper..................	86.4	21.2	71.2	81.5	76.2
57.8	28.3	32.6	2	Dairy Products...........	47.7	23.0	35.2	34.9	31.2
16.3	4.5	7.9	7	Department Stores........	27.3	6.6	23.4	24.4	22.5
74.3	35.1	53.7	8	Drug & Toilet Articles.....	89.0	45.3	75.3	80.5	71.8
63.9	28.7	42.2	4	Electric Apparatus.........	104.0	35.6	83.3	85.0	76.7
58.7	23.7	33.2	2	Finance Companies........	104.6	33.2	94.0	104.6h	96.8
56.1	28.3	39.5	5	Food Brands..............	75.2	32.6	66.4	68.3	62.6
56.4	33.9	49.6	3	Food Stores..............	77.5	40.5	63.2	63.5	56.8
41.8	11.7	17.0	2	Furniture & Floor Covering.	58.0	13.8	52.4	56.0	49.4
527.8	357.9	514.0	2	Gold Mining..............	1365.0	481.2	1277.0	1365.0H	1299.0
21.1	9.6	12.4	4	Household Equipment......	30.3	10.5	28.6	30.3h	27.2
31.5	9.5	22.0	7	Investment Trusts.........	38.0	14.5	28.8	29.8	26.1
27.4	7.7	20.0	2	Mail Orders..............	47.4	13.5	38.8	43.4	39.2
55.8	19.3	30.1	7	Metal Mining & Smelting..	126.2	30.1	109.1	126.2h	122.0
42.4	21.6	33.2	24	Petroleum & Natural Gas...	83.4	29.3	78.6	80.7	75.6
22.5	6.2	9.8	4	Phonos. & Radio (9127-100)	30.2	6.7	23.5	25.1	21.8
94.9	37.1	63.5	20	Public Utilities...........	104.0	40.8	67.9	68.1	61.7
37.8	12.0	17.7	8	Railroad Equipment........	69.4	17.7	58.2	61.5	57.8
37.8	10.4	18.1	29	Railroads................	63.0	16.3	49.9	49.4	43.7
44.4	14.9	27.0	2	Restaurants..............	38.9	19.9	27.8	29.3	26.7
89.9	58.0	60.8	2	Soft Drinks (1926 Cl.-100)..	146.6	57.8	133.7	148.6h	139.5
45.9	11.7	23.3	7	Steel & Iron..............	69.1	19.1	54.5	56.0	49.4
12.4	3.8	7.3	3	Sugar....................	29.5	7.3	25.2	28.2	27.5
121.6	53.9	112.1	2	Sulphur..................	195.6	79.3	170.5	188.9	195.6h
57.2	21.0	35.9	3	Telephone & Telegraph....	82.3	28.1	71.0	73.6	66.2
52.5	16.3	30.1	5	Textiles.................	82.2	22.5	62.7	62.7	58.9
11.0	2.5	4.4	4	Tires & Rubber...........	15.1	3.0	12.2	13.1	12.1
68.6	40.8	48.2	4	Tobacco..................	90.2	46.2	85.8	90.2h	86.0
57.0	17.9	22.7	3	Traction.................	49.0	22.3	37.9	38.6	44.4
50.9	23.3	34.3	2	Variety Stores............	52.9	23.3	41.8	43.2	41.1

h—New high this year. H—New High record since 1928.



(An unweighted index of weekly closing prices; compensated for stock dividends, splitups, and rights; and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

PERSONAL SERVICE SECTION

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer, by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested, or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your request to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

Special rates upon request for those requiring additional service.

STANDARD OIL CO. OF N. J.

As a new subscriber I will appreciate your views on The Standard Oil Co. of New Jersey. I have been advised to buy this stock on several recent occasions—but I would first like your opinion. If favorable, would you buy at current prices, or await lower levels?—N. H. L., Houston, Texas.

As a result of its far-flung interests in the petroleum industry, the report of Standard Oil Co. of New Jersey for 1932 revealed the demoralized state of the oil business not only in this country but throughout the world. The company's earnings in that year amounted to only 1 cent a share on the common stock which necessitated heavy withdrawals from surplus to meet its dividend requirements of $50,628,442, on a $2 per share annual basis. Because of the uncertainties existing during the early part of this year, the stock was returned to its regular dividend basis of $1 annually, the $1 extra being dropped. Despite substantial dividend disbursements in excess of earnings during the past two years, the company maintained its characteristically strong financial condition. As of December 31, 1932, total current assets, including $116,857,704 cash and $61,772,692 marketable securities, amounted to $574,782,127, and total current liabilities were $127,630,880. Standard Oil of New Jersey's huge stake in the petroleum industry in this country should be materially enhanced by the present and prospective improvement in the oil price structure. Its position in foreign markets is expected to be helped by the recent amalgamation of its Far Eastern producing and refining properties with the marketing outlets in that territory of the Socony-Vacuum Corp. The latter has long occupied a dominant position as a distributor in the Far East, while Standard Oil of New Jersey has tremendous producing and refining facilities. The shares of Standard Oil of New Jersey offer an excellent medium for representation in the oil industry and in view of its improved earnings outlook, purchases are recommended at current levels.

AIR REDUCTION CO.

Please give me any recent information you may have concerning Air Reduction Co. I have been reliably advised to add 50 shares to my list. And, while I appreciate that the company's earning record is good, I shall base my decision on your opinion of its fall and longer term prospects.—S. J. A., Kansas City, Mo.

Report of Air Reduction Co., for the quarter ended June 30, 1933, reflects the decided improvement in the operations of its principal customers which took place during that period. Thus, gross income increased from $3,142,243, in the second quarter of 1932, to $3,347,193 in the latest period, while the earnings per share were 70 cents and 85 cents respectively. In the first quarter of the current year earnings were equivalent to 45 cents per share. It appears, therefore, that the downward trend of earnings in evidence during 1931 and 1932 has been definitely broken, and that a gradual recovery is under way. Although operations of Air Reduction hinge largely upon the sale of compressed gases and equipment to the steel and related industries, stability of prices and lack of important competition enabled the company to make a decidedly better showing during the depression than did most industrial enterprises. Recently the company announced the consummation of negotiations for the distribution of carbonic gas throughout the United States, Canada, Mexico and Cuba under a license agreement. Pure Carbonic Co. 66% owned by Air Reduction, now occupies a leading position in the liquid carbon dioxide and dry ice fields, both of which have shown considerable growth over the more recent past. Air Reduction has maintained an exceptionally strong financial condition. Reflecting the improved earnings outlook, directors recently declared an extra dividend of 75 cents a

(Please turn to page 593)

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New York Stock Exchange

RAILS

	1931		1932		1933		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	9/20/33	Share
Atchison	202⅜	79¼	94	17⅞	80⅛	34⅝	63⅜	..
Atlantic Coast Line	120	25	44	9¾	59	16½	42	..
B								
Baltimore & Ohio	87⅞	14	21⅜	3¾	37⅞	8¼	32¼	..
Bangor & Aroostook	66¾	18	35¾	9½	110	68⅝	95	2
Brooklyn-Manhattan Transit	69⅜	31⅛	50¼	11⅛	41¼	21¾	30	..
C								
Canadian Pacific	45⅜	10¾	20⅝	7¼	20⅞	7½	15½	..
Chesapeake & Ohio	46½	23⅜	31½	9¾	49¼	24⅝	44⅛	2.80
C. M. & St. Paul & Pacific	8⅞	1½	4½	¾	11¾	1	7	..
Chicago & Northwestern	45½	5	14½	2	16	1¼	10⅜	..
Chicago, Rock Is. & Pacific	65½	7⅞	16⅜	1½	10⅛	2	5½	..
D								
Delaware & Hudson	157¼	64	92½	32	93¾	37⅝	68	..
Delaware, Lack. & Western	102	17¾	45⅞	8½	46	17¼	33⅛	..
E								
Erie R. R.	39¾	5	11¾	2	25¾	3¾	18	..
G								
Great Northern Pfd	69¾	15⅝	25	5½	33¾	4⅝	23	..
H								
Hudson & Manhattan	44½	26¼	30¾	8	19	6½	17½	..
I								
Illinois Central	89	9⅛	24⅞	4¾	50¾	8½	37	..
Interborough Rapid Transit	34	4⅝	14⅝	2¼	10¼	4⅛	8	..
L								
Lehigh Valley	61	8	29¼	5	27¾	8⅝	19¾	..
Louisville & Nashville	111	20¼	88¼	7½	67½	21¼	48½	..
M								
Mo., Kansas & Texas	26¾	3⅞	13	1¼	17⅛	5¾	11	..
Missouri Pacific	42¾	6⅝	11	1½	10¼	1⅛	4⅞	..
N								
New York Central	132¼	24⅞	36⅝	8¾	58½	14	44⅝	..
N. Y., Chic. & St. Louis	88	2½	9¾	1½	27⅝	2⅛	19¼	..
N. Y., N. H. & Hartford	94⅞	17	31⅝	6	34⅞	11⅛	23⅛	..
N. Y., Ontario & Western	13⅞	5¼	15¾	3⅝	15	7⅝	11	..
Norfolk & Western	217	105⅝	135	57	177	111½	160	8
Northern Pacific	60⅞	14½	25⅜	5½	34⅞	9⅝	24¾	..
P								
Pennsylvania	64	16¼	23⅜	6½	42¼	13¾	33½	½
Pittsburgh & W. Va	86	11	21½	6	35¾	6½	28	..
S								
St. Louis-San Fran	62¾	3	6⅝	⅝	9	⅞	3¾	..
Southern Pacific	109½	26½	37⅝	6½	38¾	11⅛	27⅜	..
Southern Railway	65⅞	6⅜	18½	2½	36	4⅛	29¼	..
U								
Union Pacific	205⅛	70⅛	94½	27⅝	132	61¼	119	6
W								
Western Maryland	19⅝	5	11⅜	1½	16	4	11¾	..
Western Pacific	14⅞	1¾	4¾	½	9½	1	4½	..

INDUSTRIALS AND MISCELLANEOUS

	1931		1932		1933		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	9/20/33	Share
Adams Express	23½	3⅛	9½	1⅝	13¾	3	9⅝	..
Air Reduction, Inc	109¾	47⅝	63½	30⅞	108½	47½	108¼	*3¾
Alaska Juneau	20⅛	7	16⅝	7¾	33	11⅛	28½	.60
Alleghany Corp	12¾	1⅛	3⅝	⅜	8¼	⅞	4¾	..
Allied Chemical & Dye	182¾	64	88¼	42½	145½	70¾	140	6
Allis Chalmers Mfg.	42¾	10½	15⅜	4	26⅜	6	18⅛	..
Amer. Brake Shoe & Fdy	38	13½	17⅞	6½	42½	9⅛	34½	.60
American Can	129¾	58⅛	73⅞	29⅝	98¼	49½	94	4
Amer. Car & Fdy	38¾	4½	17	3⅛	39¾	6⅛	30½	..
Amer. Com'l Alcohol	14½	5	27	11	89⅞	13	65	..
American Ice	31⅝	10½	21⅝	3⅜	17½	3¾	9½	..
Amer. International Corp	26	5	12	2½	15⅛	4¼	9⅞	..
Amer. Mchy. & Fdry	43¾	16	22¼	7½	22⅜	8¾	16¾	.80
Amer. Power & Light	64⅞	11⅝	17¼	3	19⅞	4	8⅜	..
Amer. Radiator & S. S.	21½	5	12¼	3⅛	19	4⅝	15⅝	..
Amer. Rolling Mill	37⅜	7⅜	18½	3	31⅞	5¾	20½	..
Amer. Smelting & Refining	58½	7½	27¼	5⅛	53½	10¾	49⅜	..
Amer. Steel Foundries	31¼	5	15⅛	3	27	4⅝	21	..
Amer. Sugar Refining	60	34½	39¼	13	74	21½	68	2
Amer. Tel. & Tel.	201¾	112⅛	137⅜	70¼	134¾	86½	126¾	9
Amer. Tobacco Com	128¾	60½	86¾	40½	90½	49	86¼	5
Amer. Tob. B	132¾	64	89¾	44	94¾	50¾	90	5
Amer. Water Works & Elec	80¾	23⅛	34½	11	43¼	10⅞	22½	1
Amer. Woolen	11⅞	2⅝	10	1⅝	17	3½	12¾	..
do Pfd	40	15¼	39⅞	15½	61⅞	22⅝	52	..
Anaconda Copper Mining	43¼	9¼	19⅜	3	22⅞	5	18¼	..
Armour Ill. A	4½	¾	2¾	⅝	7¾	1⅛	5	..
do B	2⅞	½	2	⅜	5	¾	3⅛	..
Atlantic Refining	23⅝	8⅝	21⅞	8⅝	31⅞	12⅜	29½	1
Auburn Auto	295½	84½	151¾	28¾	84¼	31¼	56¾	2
Aviation Corp. Del	6⅛	2	8⅞	1½	16⅜	5½	10¼	..
B								
Baldwin Loco. Works	27⅞	4⅝	12	2	17⅝	3½	13	..
Barnsdall Corp. Cl. A	14½	4	7	3⅜	11	3	10⅛	..
Beatrice Creamery	81	37	43½	10½	27	7	15½	..
Bendix Aviation	25½	12⅝	18¾	4½	21¼	6⅛	17½	..
Best & Co	46¼	19¾	24⅞	5¾	33⅛	9	31	1
Bethlehem Steel Corp	70⅛	17¼	29⅝	7¼	49¼	10⅛	37	..
Bohn Aluminum	43	15½	22¼	4⅞	54½	9½	44¼	1
Borden Company	76½	35⅛	43⅛	20	37⅜	18	24¾	1.60
Borg Warner	30¾	9	14¼	3⅜	21⅝	5½	17¾	..
Briggs Mfg.	22¾	7½	11¾	2⅞	14⅝	2⅝	10½	..
Burroughs Adding Mach	32¼	10	13¼	6¼	20⅞	6⅛	16½	.40
Byers & Co. (A. M.)	69¾	10⅞	24⅝	7	43¼	8½	31⅞	..

Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS (*Continued*)

	1931		1932		1933		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	9/20/33	Share
C								
California Packing	53	8	19	8	34¾	7¾	26	..
Canada Dry Ginger Ale	45	10⅜	15	6	41½	7½	31¼	1
Case, J. I.	131½	33¼	65¾	16¾	103½	30½	76⅛	..
Caterpillar Tractor	52½	10¼	15	4⅜	29¾	5½	22⅛	..
Cerro de Pasco Copper	30⅛	9⅞	15½	3½	44¾	5⅞	40⅛	..
Chesapeake Corp	54⅛	13⅞	20¾	4⅞	52½	14⅞	42	2
Chrysler Corp	25¾	11¾	21¾	5	52⅞	7¾	47¼	.50
Coca-Cola Co	170	97½	120	68½	105	73½	88½	6
Colgate-Palmolive-Peet	50½	24	31½	10¼	22⅜	7	16½	..
Columbian Carbon	111⅝	32	41⅞	13½	71½	23⅛	59	2
Colum. Gas & Elec	45⅝	11⅝	21	4¼	28⅛	9	14¼	§.80
Commercial Credit	23¼	8	11	3⅞	19	4	16⅝	..
Comm. Inv. Trust	34	15½	27⅞	10⅞	43½	18	37⅛	2
Commercial Solvents	21½	6⅝	13¾	3½	57¼	9	37⅝	.60
Commonwealth & Southern	12	3	5⅛	1⅝	6⅛	1⅜	2½	..
Congoleum-Nairn	14¾	6⅞	12¼	6½	27⅝	7⅜	22¾	1
Consolidated Gas of N. Y.	109⅝	57¼	68¾	31½	64⅛	40	41¼	3.40
Consol. Oil	15⅞	4⅛	9	4	15¾	5	14⅜	..
Continental Baking Cl. A	30	4½	8	2⅞	18¼	3	13½	..
Continental Can, Inc	62¾	30¼	41	17⅝	69	35¼	67¾	2
Continental Insurance	51⅞	18⅛	25¼	6¾	36½	10½	28⅛	1.20
Continental Oil	12	5	9⅜	3⅝	19⅝	4⅞	18¾	..
Corn Products Refining	86⅝	36¼	55⅜	24¾	90⅝	45⅜	89	3
Crown Cork & Seal	38¼	13¾	23⅞	7⅞	65	14¼	43	..
Cudahy Packing	48⅞	29	35½	20	59½	20¾	48½	2.50
Curtiss Wright, Common	5⅞	1	3¼	⅞	4¾	1½	2⅞	..
D								
Diamond Match	23	10⅝	19⅛	12	29½	17½	24	1
Dome Mines	13½	6⅝	12⅞	7½	39½	12	37	*1.80
Dominion Stores	24	11	18½	11¼	26⅜	10½	20¾	1.20
Douglas Aircraft	21¼	7⅞	18⅝	5	18¼	10¼	16	¾
Drug, Inc	78¾	42¾	57	23	63½	29	47⅞	3
Du Pont de Nemours	107	50¾	59¾	22	85¾	32⅛	80½	2
E								
Eastman Kodak Co	185¾	77	87⅞	35¼	89¾	46	85¾	3
Electric Auto Lite	74⅜	20	32¾	8½	27½	10	19¾	..
Elec. Power & Light	60¾	9	16	2¾	15⅜	3⅛	6½	..
Elec. Storage Battery	66	23	33¼	12⅝	54	21	45⅝	2
Endicott-Johnson Corp	45⅜	13½	37¼	16	62⅞	26	57	3
F								
Firestone Tire & Rubber	21½	12⅞	18⅞	10½	31½	9⅛	25¾	.40
First National Stores	63	41	54½	35	70¾	43	55	2½
Fox Film Cl. A	38⅜	2½	5⅞	1	19	12½	16¼	..
Freeport Texas Co	43¼	13¼	28⅝	10	47	16⅛	45⅞	2
G								
General Amer. Transport	73⅛	28	35¾	9½	43¼	13¾	37⅛	1
General Asphalt	47	9⅝	15½	4¾	27	4⅝	19¾	..
General Baking	25⅝	9½	19⅝	10½	20⅞	11½	15⅞	1
General G. & E. A.	8½	1¼	2¾	⅜	2⅞	⅝	1¼	..
General Electric	54¾	22⅞	26⅛	8½	30¼	10½	21¾	.40
General Foods	56	28¼	40½	19⅝	39⅞	21	37¾	1.80
General Mills	50	29⅛	48½	28	71	35½	69	3
General Motors Corp	48	21⅜	24⅝	7⅝	35¾	10	33	1
General Railway Signal	84⅛	21	28⅝	6⅛	49½	13¼	40	1
General Refractories	57⅜	12	15⅜	1¾	19¾	2½	11	..
Gillette Safety Razor	38¾	9¼	24¼	10⅜	20¼	9¾	14¾	1
Gold Dust Corp	42⅛	14½	20⅝	8¼	27⅜	12	20¼	1.20
Goodrich Co. (B. F.)	20⅞	3⅜	12⅜	2¼	21½	3	16¼	..
Goodyear Tire & Rubber	52¾	13¾	29¾	5½	47½	9¼	39¼	..
H								
Hershey Chocolate	103¾	68	83	43½	72	35⅛	52⅞	3
Houston Oil of Texas (New)	14	3	28¼	8¾	7⅜	1⅞	6	..
Hudson Motor Car	26	7¾	11¾	2⅞	16⅜	3	14	..
Hupp Motor Car	13⅛	3¾	5⅜	1½	7¾	1⅝	4¾	..
I								
Ingersoll-Rand	182	25⅜	44⅞	14¾	78	19⅛	58¼	1½
Inter. Business Machines	179¾	92	117	52½	153¼	75¾	151½	6
Inter. Cement	62½	16	18¾	3⅝	40	6⅛	32⅜	..
Inter. Harvester	60½	22⅜	34⅛	10⅜	46	13⅝	41½	.60
Inter. Nickel	20⅛	7	12½	3½	22⅜	6¾	21⅛	..
International Shoe	54	37	44⅜	20¼	56⅜	24⅜	48	2
Inter. Tel. & Tel.	38¾	7⅛	15¾	2⅝	21¾	5⅛	14½	..
J								
Johns-Manville	80¾	15⅝	33⅜	10	60⅜	12¼	54⅛	..
K								
Kennecott Copper	31½	9⅝	19¼	4⅞	26	7⅜	24½	..
Kresge (S. S.)	29⅝	15	19	6⅝	16⅞	5½	13	.80
Kroger Grocery & Baking	35½	12½	17⅞	10	35⅝	14½	24	1
L								
Lambert Co	87⅞	40⅛	56¾	25	41⅛	22⅛	32¼	4
Lehman Corp.	69⅜	35	51⅞	30½	79⅜	37½	74	2.40
Liggett & Myers Tob. B	91¾	40	67¼	34⅛	99⅜	49¼	97	*5
Liquid Carbonic	55⅛	13½	22	9	50	10¼	32	..
Loew's, Inc	63½	23⅞	37¾	13¼	36½	8½	32¼	1
Loose-Wiles Biscuit	54⅞	29⅞	36⅜	16½	42½	19¼	40½	2
Lorillard	21⅞	10	18⅜	9	25¼	10⅜	22½	1.20
M								
Mack Truck, Inc.	43⅞	12	28¾	10	46⅜	13½	37	1
Macy (R. H.)	106¼	50	60½	17	65¾	24¼	59	2
Marine Midland	24¼	9¼	14⅜	6½	11½	5¼	8⅛	.40
Mathieson Alkali	31½	12	20⅞	9	41⅝	14	42¼	1½
May Dept. Stores	39	15⅝	20	9½	33	9¾	31⅞	1
McKeesport Tin Plate	103½	38½	62¼	28	95¾	44⅛	90½	4
Mont. Ward & Co	29¼	6⅝	16½	3½	28⅞	8⅝	24	..

Dividend and Interest

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS (*Continued*)

	1931		1932		1933		Last Sale	Div'd $ Per Share
N	High	Low	High	Low	High	Low	9/20/33	
Nash Motor Co	40⅞	15	19¾	8	27	11⅛	22⅝	1
National Biscuit	83¾	36¾	46⅞	20¼	60⅝	31½	57½	2.80
National Cash Register A	39¾	7⅛	18¾	6¼	23⅝	5⅛	17¾	..
National Dairy Prod	50¾	20	31⅝	14⅜	25⅝	10½	15⅞	1.20
National Power & Light	44¼	10¼	20⅜	6⅝	20⅛	6⅞	11⅜	1
National Steel	58⅛	18⅛	33⅞	13½	55⅛	15	47	1
North Amer. Aviation	11	2⅜	6⅝	1¼	9	4	7⅛	..
North American Co	90¼	26	43¼	13¾	36½	15¼	18⅛	§8%
O								
Ohio Oil	19½	5⅛	11	5	17⅝	4¾	16⅝	..
Otis Elevator	58½	16⅜	22½	9	25¾	10⅛	15⅞	.60
Otis Steel	16⅜	3½	9¼	1¼	9¼	½	5	..
Owens Ill. Glass	88¾	20	42¼	12	96¾	31½	81	*2¼
P								
Pacific Gas & Electric	54⅞	29⅝	37	16⅞	31⅞	20	21⅜	2
Pacific Lighting	69½	35	47½	20¾	43⅜	25¼	25⅝	3
Packard Motor Car	11⅞	3⅞	5⅛	1½	6⅞	1¾	4½	..
Paramount Publix	50	5⅛	11½	1½	2½	⅛	1¾	..
Penney (J. C.)	44¾	26¾	34½	13	52⅝	19¼	49	1.20
Peoples Gas—Chic.	250	107	121	39	78	41⅜	47	4
Phelps Dodge Corp	25⅜	5⅞	11⅝	3⅞	18⅞	4½	17¼	..
Phillips Petroleum	16⅝	4	8½	2	18¾	5⅛	17⅝	..
Procter & Gamble	71¼	36⅜	42¾	19⅞	47½	19⅝	42½	1½
Public Service of N. J.	96½	49⅛	60	28	57⅛	33¼	33¾	2.80
Pullman, Inc.	58½	15¼	28	10½	58⅛	18	50	3
Pure Oil	11⅞	3¼	6½	2⅞	14⅝	2½	14⅝	..
Purity Bakeries	55¼	10¾	15⅞	4⅞	25⅜	5⅞	18¼	1
R								
Radio Corp. of America	27½	5⅛	13¼	2½	12¼	3	8⅛	..
Radio-Keith-Orpheum	4	2⅜	7¾	1½	5¾	1	3⅛	..
Remington-Rand	19¾	1⅞	7½	1	11¼	2⅛	8⅝	..
Republic Steel	25⅝	4⅛	13⅞	1⅞	23	4	16½	..
Reynolds (R. J.) Tob. Cl. B	45½	32½	40¼	26½	54¼	26⅛	52½	3
Royal Dutch	42⅝	13	23¾	12⅛	37⅜	17⅝	36½	1.07½
S								
Safeway Stores	69½	38⅝	59¼	30⅛	62⅜	28	45¼	3
Sears, Roebuck & Co.	63¼	30¼	37⅜	9⅞	47	12½	43⅝	..
Seaboard Oil—Del.	20¾	5⅛	20⅜	6⅝	37⅞	15	36½	.60
Servel, Inc.	11¾	3⅛	5⅜	1½	7½	1⅛	5¾	..
Shattuck (F. G.)	29½	8¼	12⅝	5	13¼	5¾	8¾	.24
Shell Union Oil	10¼	2⅛	8¾	2⅛	11⅝	4	9⅛	..
Simmons Co.	23¾	6⅞	13⅜	2⅜	31	4⅜	24	..
Socony-Vacuum Corp.	21	8⅜	12⅛	5⅛	15½	6	13⅛	..
So. Cal. Edison	54½	28⅜	32¾	15⅜	28	17½	18½	2
Standard Brands	20¼	10⅛	17⅞	8⅜	37⅝	13⅜	26⅝	1
Standard Gas & Elec. Co.	88¾	25⅛	34¼	7⅝	22½	5⅛	11	..
Standard Oil of Calif	51¾	23⅛	31⅞	15⅛	44¾	19½	44	1
Standard Oil of N. J.	52½	26	37⅜	19⅞	43¾	22¾	43¼	1
Stewart-Warner	21⅞	4¾	8½	1⅞	11½	2½	7½	..
Stone & Webster	54½	9⅞	17⅜	4⅝	10¼	5¾	9⅛	..
Studebaker Corp	26	9	13¾	2½	8⅜	1½	5½	..
T								
Texas Corp.	36¼	9⅞	18¼	9¼	30⅛	10¾	28⅝	1
Texas Gulf Sulphur	55¾	19⅛	26⅜	12	41	15¼	38¼	1
Texas Pac. Land Tr.	17⅝	4¼	8½	2½	11⅛	3⅛	9⅝	..
Tide Water Assoc. Oil	9	2⅛	5⅝	2	10¾	3⅛	9⅛	..
Timken Roller Bearing	59	16½	23	7¾	35½	13⅜	30⅝	.60
Transamerica Corp	18	2	7⅛	2⅜	9⅜	2⅝	6⅞	..
Tri-Continental Corp	11¾	2	5½	1½	8¾	2¾	6½	..
U								
Underwood-Elliott-Fisher	75¾	13⅜	24⅜	7⅜	39½	9¼	30	.50
Union Carbide & Carbon	72	27⅛	36⅜	15½	51⅞	19⅝	46⅞	1
Union Oil of Cal.	26⅝	11	15⅛	8	23⅜	8⅛	22	1
United Aircraft & Trans.	38⅞	9⅞	24⅝	6⅛	46⅞	16½	35⅜	..
United Carbon	28¾	6⅛	18	6⅝	30⅝	10¼	28¼	1
United Corp.	31¼	7½	14	3½	14½	4⅞	6¼	..
United Corp. Pfd	52½	26½	39⅜	20	40⅞	24⅞	28⅛	3
United Fruit	67¾	17½	32⅜	10¼	68	23¼	65	2
United Gas Imp	37½	15¾	22	9⅛	25	14	16¼	1.20
U. S. Industrial Alcohol	77⅜	20⅜	36¼	13¼	94	13½	73¼	..
U. S. Pipe & Fdy	37⅛	10	18⅛	7¼	22⅛	6⅛	16¼	½
U. S. Realty	36¾	5½	11¾	2	14½	2½	10	..
U. S. Rubber	20⅜	3½	10¼	1¼	25	2⅞	19	..
U. S. Smelting, Ref. & Mining	25¾	12⅜	22¾	10	105⅝	13½	97	1
U. S. Steel Corp.	152⅜	36	52⅝	21¼	67½	23⅜	51⅜	..
U. S. Steel Pfd.	150	94	113	51½	105½	53	83⅜	2
Util. Power & Lt. A	31	7⅞	10⅜	1½	8⅞	1⅞	3¾	..
V								
Vanadium Corp	76¾	11	23¾	5¼	36¼	7⅝	24¾	..
W								
Warner Brothers Pictures	20⅜	2⅛	4½	½	9⅛	1	7⅞	..
Western Union Tel.	150¾	38½	50	12⅜	77¼	17¼	63¾	..
Westinghouse Air Brake	36⅛	11	18⅛	9¼	35⅝	11¾	31	1
Westinghouse Elec. & Mfg.	107¾	22½	43½	15⅝	58¾	19⅜	43	..
Woolworth Co. (F. W.)	72¾	35	45⅝	22	50⅞	25⅛	40½	2.40
Worthington Pump & Mach	106⅞	15¼	24	5	39⅞	8	28	..
Wrigley (W., Jr.)	80⅜	46	57	25¼	53	34½	53	3

§ Payable in stock. * Including extras.

Answers to Inquiries

(Continued from page 588)

share in addition to the regular quarterly dividend of 75 cents. We regard the shares as attractive both for income and price appreciation over the longer term, and feel that additional commitments in the stock are fully warranted around prevailing quotations.

JEWEL TEA CO.

What is your opinion of the possibilities for Jewel Tea? Do you think it can cover its dividend requirements this year—or do you anticipate a reduction in dividend rate? Should I sell my 75 shares now, with the idea of buying at a lower price? Or do you think it now discounts a possible reduction?—R. L. S., Louisville, Ky.

Consistently following its basic principle of carrying staple groceries to the consumer, through its 1,350 "motorized wagon routes" in 43 states, Jewel Tea Co. continues to derive its major earnings from that department. Although some 80 chain stores were acquired last year, they are still of minor importance in the operations of the enterprise. The downward trend of sales in recent months has been somewhat checked, the total for the 32 weeks ended August 15, 1933, being about 11½% below the corresponding period

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times —50 Stocks— High	N. Y. Times —50 Stocks— Low	Sales
Monday, August 28	76.87	104.72	53.60	93.34	91.11	2,121,619
Tuesday, August 29	76.71	103.59	53.81	93.79	89.55	3,118,150
Wednesday, August 30	76.42	102.35	52.80	92.65	89.58	2,172,610
Thursday, August 31	76.20	102.41	52.46	91.84	90.54	1,141,710
Friday, September 1	76.10	103.66	52.56	91.84	90.14	1,218,830
Saturday, September 2	HOLIDAY—EXCHANGE CLOSED					
Monday, September 4						
Tuesday, September 5	75.98	100.22	50.42	91.03	88.06	1,253,940
Wednesday, September 6	75.61	100.33	49.85	88.80	85.96	1,884,960
Thursday, September 7	75.19	99.20	49.46	88.58	86.99	1,072,320
Friday, September 8	75.01	99.58	48.96	87.90	86.09	1,270,740
Saturday, September 9	75.05	99.42	49.11	87.33	88.80	279,110
Monday, September 11	75.41	103.59	51.37	90.71	86.87	1,917,490
Tuesday, September 12	75.59	102.84	50.83	91.45	89.52	2,243,416
Wednesday, September 13	75.69	103.65	50.68	90.63	89.63	735,090
Thursday, September 14	75.81	104.66	51.17	92.76	90.46	2,896,090
Friday, September 15	75.41	102.63	49.28	92.08	88.58	2,454,300
Saturday, September 16	75.25	105.32	50.38	91.22	89.11	1,001,160
Monday, September 18	74.21	105.30	49.25	92.68	89.72	2,722,010
Tuesday, September 19	73.60	105.74	49.28	91.33	88.28	2,820,820
Wednesday, September 20	72.34	103.09	46.86	90.91	87.94	2,417,180
Thursday, September 21	71.26	97.56	42.85	87.70	83.06	3,652,544
Friday, September 22	72.18	99.06	43.95	86.02	82.29	3,315,460
Saturday, September 23	73.00	99.78	44.59	87.24	85.65	1,004,748

a year before, whereas the decline had been 14.8% for the 16 weeks ended April 22, 1933. The tax situation is becoming an important factor in this business, in the form of new Federal capital stock taxes, excess profits taxes, higher income taxes, and processing taxes, in addition to state income, gross sales and occupational taxes. The company paid taxes in the first half of 1933 equal to 56 cents a share. Nevertheless, its earnings for the 28 weeks ended July 15, last were $305,637 or $1.09 a share compared with $1.63 a share in the corresponding period of last year. The latest results, however, were not quite equal to the dividends paid, which amounted to $399,011 leaving a deficit for the period of $93,374. These results indicate the possibility of a reduction in the disbursements, unless the general business upturn should bring a change in the situation. It is apparent that this eventuality is being discounted in the market value of the shares, which show a liberal yield at current levels. Even a reduction to a $2 annual basis would maintain a rate of return to stockholders comparing favorably with other sound stocks. The financial condition of the enterprise has been under no strain in meeting its payments, current assets on July 15, 1933, being $4,501,110 including $2,196,157 cash and marketable securities, against current liabilities of only $946,708. Therefore, we see no cause for disturbing your present holdings of the stock which is the company's sole capital obligation.

ATLAS POWDER CO.

I have 100 Atlas Powder Co. common shares I bought in 1931 at 40¼. I am of the opinion that most of this stock's advance this year has been on its prospects under the National Industrial Recovery Act. Do you believe it now discounts further improvement? Would you continue to hold or sell now?—R. D. S., Dayton, Ohio.

The recuperative powers of Atlas Powder Co. are well illustrated in the semi-annual report of that company covering the initial half of 1933. Whereas a net loss of $8,031 was registered in the first three months of 1933, profits of $137,288 were registered in the second three months' period, comparing with a deficit of $75,168 in the June quarter of the previous year. Thus, profits of $129,257 or $1.46 a share on the 6% preferred stock, excluding that held in the treasury, were reported for the six months ended June 30, last, in contrast with a net loss of $154,398 in the corresponding interval of last year. The sharp rise in earnings was due largely to increased demand for the company's products, although operating economies effected by the management during a period of declining revenues also contributed to the favorable showing. Atlas Powder Co. ranks as a leader in the production of explosives, concentrating its activity in the manufacture of dynamite and black powder for industrial uses. By virtue of this fact, the company is favorably situated to take advantage of any further increased demand for explosives from industry, to say nothing of the benefits to be derived from the vast public works program of the Government. The balance sheet as of June 30, 1933, revealed cash, U. S. Government and other marketable securities, of $5,204,600 with total current liabilities of $446,193. The current ratio as of the above date stood in excess of 20 to 1. Although the advance in prices for the common stock from the low levels in evidence during the early months of the current year has gone far to discount current earning power, the outlook for the company is such as to justify the belief that the maintenance of your position will prove a profitable policy and we counsel against disturbing your holdings.

TEXAS GULF SULPHUR CO., Inc.

I am now even on 250 shares of Texas Gulf Sulphur I bought over two years ago. In view of the reduction in dividend since then, and because I am partially dependent on it for income, I would sell unless you think this company's prospects warrant my holding for the long pull. Please advise. —J. S. F., Richmond, Va.

For the six months ended June 30, last, Texas Gulf Sulphur Co. reported net income of $2,414,565 or 95 cents a share on its common stock against $3,106,958 or $1.22 a share in the first half of 1932. The decline in earnings during the first half of the current year was due entirely to the poor showing made in the initial quarter, since results in the second three months surpassed those of the June quarter for 1932. Net income of $1,437,861 or 57 cents a share was reported for the three months ended June 30, last, as compared with $976,704 or 38 cents a share in the preceding quarter and $1,384,423 or 54 cents a share in the second quarter of 1932. Recent reports indicate that earnings during the current quarter are running at a rate substantially in excess of a year earlier, and might closely approximate the per share returns of 91 cents registered in the third quarter of 1931. Thus, it is not unreasonable to anticipate earnings for the full year 1933 substantially in excess of last year's results. By virtue of the fact that Texas Gulf Sulphur and its nearest competitor, enjoy a virtual monopoly of the industry, the enterprises have been able to stabilize prices for sulphur throughout the entire depression, thus eliminating the necessity of inventory adjustments. Therefore, earnings improvement is in direct reflection of increased demand for the company's products as a result of improvement in business and industry generally thus far this year. When consideration is given to the satisfactory financial condition of the company, strong trade position and improved earnings outlook, directors of the company would be entirely justified in following more liberal policies as pertains to future dividend distributions. Consequently, we would regard the disposal of your present holdings as unwarranted and counsel against such action.

DELAWARE & HUDSON CO.

What is your opinion of Delaware & Hudson as an investment for both the short and long pull? Do you believe it compares favorably with other first-class railroads? Would you advise me to buy 100 shares at current levels?—C. B. W., Boston, Mass.

Delaware & Hudson Railroad Corp., operating subsidiary of Delaware & Hudson Co., reported a turn for the better in gross earnings beginning last May which has carried through to July, the latest report, when gross was $2,011,827 against $1,731,790 for July, 1932. However, net was still "in the red" to the extent of $199,833, but this was much less than the net loss of $511,206 for a year earlier and with continued improvement in railroad traffic, it may be possible to do still better in ensuing months. Despite operating losses of $2,980,427 for the first 6 months of this year, following deficits throughout 1932, the financial position of the operating company is moderately comfortable, with current assets of $5,407,000 which were about $413,000 in excess of current liabilities as of May 31, last. There is no long term debt maturing within six months, and notes and bills payable are less than the amount of cash on hand. The parent company, in addition to its holdings of the operating company's stock, has large investments including about a half million shares of New York Central; the total outside investments provide a larger income than that received from the operating company. The market value of the New York Central stock held has more than doubled the cost of about $11,000,000. The potential value of this stake in New York Central, whose territory adjoins and supplements that of the D. & H., would be enormous in the

Why should you continue to invest at a disadvantage?

—WHEN PROVEN GUIDANCE IS AVAILABLE

HAVE you been making money in the market during the last six months? Are you making money today? Or are you unduly influenced by rumors, hunches, tips—or hampered by lack of time, experience or facilities to analyze market action and your investment position?

In order to make money you need knowledge—particularly unbiased *knowledge* of market action, including trends, price swings and values, all of which improve your chances of success.

A SELECTIVE MARKET

Since early summer the market has become more and more selective—more and more perplexing to those who endeavor to trade without facts or knowledge of what action to take.

WHAT ACTION TO TAKE

It stands to reason, however, that an experienced, *independent* counsel, with nothing to sell but the quality of the service on which his business is built, free from prejudices and having no alliances with pools or market operators—but basing his conclusions on constant analysis of underlying values and the technical factors that control security prices and market trends, should be able to make better deductions and more accurate forecasts than the average investor and trader.

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The Wetsel Record

By ignoring all other methods or "systems," the Wetsel method of interpreting the Technical Factors that control market trends and security prices, successfully foretold:

—the October, 1929, break in September—and again on October 7 of that year.

—the break of May, 1930, when others proclaimed the market was definitely on its way to "normalcy."

—the break of April, 1931, when business indices and statistics indicated broad improvement. Mr. Wetsel wired his clients to sell both investment and trading holdings.

—five major upswings that occurred during this period.

—rising market beginning July 9, 1932, at a time when statistically the country was at the lowest point. And at which time most investors overlooked a major opportunity for fortifying their positions and making profits.

—the market rise following the bank moratorium. After advising clients to *stay out* of the market during February, specific *buying* recommendations were issued on February 27 and on March 1. Profits were taken after sensational rise following the reopening of the Exchange.

—the beginning of the gold embargo market. Purchases again being made on April 14-17—two to five days prior to the sensational rise following the embargo.

—the long persistent Spring rise, following the gold embargo soon again afforded large profit opportunities as buying instructions had been issued two to five days *prior* to the beginning of the rise.

These instances are given because the dates and what they signify are so well remembered. But, they also emphasize the necessity for forecasting short swings, which may aggregate even more profits.

event of consolidation and meanwhile it is surely paying its way in appreciation, if not in dividends. Careful estimates of the 1933 results for the Delaware & Hudson Co., the holding company, are that earnings will amount to about $5.50 a share, compared with $6.42 for 1932 and $6.27 for 1931. Consequently, the stock of the holding company has inherent attraction and its purchase around current prices should prove a profitable commitment.

CONSOLIDATED OIL CORP.

Is it your opinion that Consolidated Oil common discounts much of the anticipated improvement in the oil industry at present quotations? Do you look for further improvement this fall? Would you advise buying this stock now?—C. P., Seattle, Wash.

Operating as a thoroughly integrated unit in the petroleum industry, earnings of Consolidated Oil Corp. should coincide with the demand for and prices of crude oil and gasoline. During the past several years, conditions within the petroleum industry went from bad to worse, due chiefly to uncontrolled production with a resultant demoralization of the price structure. It is the opinion of many competent observers, however, that the industry's NRA code will go a long way toward eliminating many of the practices which have plagued it for some time past. Thus, Consolidated, with its large financial and physical resources, would appear to occupy an excellent position from an earnings standpoint. The recent pick-up in automobile sales, despite the fact that we are still far from being back to normal, is distinctly encouraging since it tends to dispel the theory advanced by some that the peak of gasoline demand had been passed and that future years would see a gradual shrinkage. Greater control of production has already resulted in higher posted prices for crude oil in practically all of the principle fields, while gasoline prices have also been advanced sharply. Thus, the earnings outlook for Consolidated Oil is more favorable, and purchase of the shares on a speculative basis appears warranted.

NATIONAL DAIRY PRODUCTS CORP.

I have 100 shares of National Dairy Products at 35. It does not seem to me that the dairy companies are doing as well marketwise as others, and I will appreciate your comment on this. Also, do you advise holding or selling this stock at this time?—S. A. B., St. Louis, Mo.

Operating results of National Dairy Products Corp. have been retarded by "milk strikes" and the falling off of ice cream sales due to competition of the recently legalized 3.2% beer. On the other hand, the improvement in the employment situation resulting in increased demand for milk and other products of the company has had a tendency of offsetting these adverse developments to some extent. For the six months ended June 30, last, National Dairy Products reported profits of $5,153,603 equal, after dividends on the preferred stock, to 76 cents a share on the common stock. This compares with net of $6,969,625 or $1.05 a share after preferred dividends in the corresponding interval of last year. It is quite possible that the cost of milk to the company will be increased moderately as a result of wide-spread farm agitation for higher prices, but it is believed that further improvement in the employment situation should permit increased sales and thereby stabilize net income to a degree. Thus, full 1933 returns should cover the current annual dividend rate of $1.20 a share by a fair margin. Moreover, the excellent financial condition of the company should allay any apprehension relative to future dividend distributions during the balance of the current year, at least. As of December 31, 1933, total current assets amounted to $56,053,517 of which $25,527,621 consisted of cash and marketable securities against total current liabilities of $16,373,152. By virtue of its strong trade position, National Dairy Products appears assured of fully participating in any improvement in the industry and we favor maintenance of your present holdings of the common stock on a speculative basis.

NEW YORK, CHICAGO & ST. LOUIS R.R.

With New York, Chicago and St. Louis common advancing from 2⅛ to 27⅝ this year, in greater proportion than most railroad stocks—I wonder if you look for an adjustment more in line with the general market? Do you advise switching 100 shares which averaged me about 36¾ or should I continue to hold?—H. A. H., Buffalo, N. Y.

The month of May marked the turning point for New York, Chicago & St. Louis R.R., whose gross for that month was $2,585,179 compared with $2,401,226, for the like month in 1932, ending the long decline from the figures for preceding periods. For the six months ended July 31, last, total income was $3,676,037 against $1,615,942 a year earlier, but this was not sufficient to meet fixed charges, resulting in a deficit of $939,964 for the first half of this year. However, the improvement is shown by comparison with the loss of $3,007,624 for the first 6 months of 1932. Traffic volume has been expanding at a faster rate than the average for other first class roads, advancing 41% in July while the average was only 22% above that for a year ago. Moreover, thus far, there has been no evidence of a material falling off, due to the sustained activity of the automobile and industrial plants in the road's territory. Financially, there is something to be desired, the latest statement, July 31, 1933, showing current assets of $9,450,921 and current liabilities of $11,697,822, but cash has increased over the amount available a year ago. Judging by the success the road had in refunding a bond maturity due October 1, 1932, by paying 25% in cash and the balance in extended term bonds, it should be able to weather what may remain of the depression without a drastic reorganization. The encouraging results of recent months augur well for the longer term future of this important Van Sweringen road. Although there is little likelihood of the achievement of profits for the common stock this year, for which a deficit of $3.75 a share is estimated, we see little incentive for disturbing your holdings at this late date.

CUBAN-AMERICAN SUGAR CO.

I will appreciate your advising me on 200 shares of Cuban-American Sugar common stock I bought in 1929 at 7⅜. Do you advise me to hold, on its inflationary possibilities, or should I sell in view of its losses of the past few years? What effect will the troubled conditions in Cuba have on early prospects?—A. M. L., Cleveland, Ohio.

The Cuban-American Sugar Co. has suffered from the demoralized status of the sugar industry in evidence for several years past. As a result of tedious efforts of constructive interests in the industry an international cartel was adopted by the major producers throughout the world, providing for a pro-ration of output, with a view toward improving the statistical position and price structure of the industry. Benefits from the plan were evidenced in the form of a rather pronounced rise in prices for sugar, including that for Cuban cane. A report issued the early part of July, indicated that by virtue of higher prices for sugar, Cuban-American Sugar Co. would probably report a loss well under $2,000,000 for the fiscal year ending September 30, 1933, as against a deficit of $2,054,188 registered for 1932 fiscal period. No bulletins have been issued by the company as to the exact affect that the recent revolutions in Cuba have had upon operations, but when consideration is given to the fact that for weeks at a time business has been practically at a standstill, at-

tendant with strikes and general unsettlement, the foregoing estimate may not be equalled. Certainly, as long as political uncertainties exist on the Island, the outlook for Cuban-American Sugar Co., remains restricted. It is the hope of Cuban producers and refiners that the present tariff of 2 cents a pound on raw sugar and $2\frac{1}{2}$ cents a pound on refined sugar, exported to the United States will be modified. As the situation now stands, the possibility of definite action in this direction has been further removed from realization. Thus, we are inclined to the belief that the funds now tied up in your present holdings of 200 shares of Cuban-American Sugar, could be put to more profitable employment elsewhere. With this thought in mind and in view of the fact that no great loss will be sustained by the liquidation of your commitment at prevailing prices, we advise its sale.

Great Northern Railway

(Continued from page 577)

come is estimated at $250,000 for this year, equal to about $2 a share on the preferred.

There are other sources from which Great Northern may derive special benefit traffic-wise and financially through its half interest in Burlington. It has a line part way down the Pacific Coast, and through trackage rights from Southern Pacific and a connection with Western Pacific, reaches San Francisco. For some years Burlington has had an interest in the Denver & Salt Lake Railroad. Arthur Curtiss James owns working control of Western Pacific. The latter with Missouri Pacific, jointly owns control of Denver & Rio Grande Western. The last named road has acquired control of Denver & Salt Lake. It is to build what is known as the Dotsero cutoff, affording a short and more direct line between the Denver and the Western Pacific.

Mr. James is the largest individual owner of Great Northern, Northern Pacific and Southern Pacific and has a good-sized block of Burlington minority shares outstanding. This makes him a dominant factor in these properties and in any plans that may be attempted with respect to them. The Reconstruction Finance Corporation has stipulated as a condition to the granting of a loan of $950,000 to Denver & Rio Grande Western that that road, Western Pacific and Denver & Salt Lake be consolidated with the Burlington. A glance at the map will show that consummation of such a plan would give Great Northern a complete circle of traffic connections from Chicago to the Coast, thence to San Francisco and through Denver back to Chicago.

Great Northern's traffic and earnings have shown material improvement since April of this year. In July the gains in both gross and net were particularly pronounced. In the former item there was an increase of $2,078,172 and in the latter of $2,561,764 the corresponding month of last year. Gross for the first seven months of this year increased $2,274,744 and net operating income $7,101,263, there having been a balance of $3,037,703 against a deficit in 1932 of $4,063,560. In July fixed charges were covered with a surplus of $27,935, but there was a deficit of $7,235,556 on fixed charges for the first seven months, because of heavy losses in the first three months.

The report for August will be favorable, judging from the preliminary gross figures, which show an increase of about $1,900,000 over August of 1932. The movement of iron ore up to September 7, last, totalled 2,985,449 tons against only 776,742 tons for the entire season a year ago. The movement of old wheat reflected a big increase for several months. The volume of this year's crop was reduced considerably by lack of rain and high temperatures several months ago. Loadings in general on Great Northern, however, held up well in September.

Great Northern has successfully carried through an extension for 10 years of $40,425,000 consolidated mortgage bonds of the Minneapolis, St. Paul & Manitoba R.R., due July 1 last, and guaranteed by Great Northern, less than $100,000 not having assented. The company must face some large additional maturities in the next few years, notably $105,859,000 for Series A 7% mortgage bonds in 1936. Maturing equipment obligations up to 1940 total $7,536,000.

A New Era Opens for Wheat

(Continued from page 570)

This apparent concession is to the end that the North American carry-over may be moved toward the consumer.

All of this relating to the exporters is simple enough. It is the part which the importers play that gives sound economic value to the entire program, realizing at the same time that the agreement is an expedient, more or less awkward perhaps, but which may enable the world to get back to normal

wheat production and trade through normal economic channels.

The chaos which was caused by measures of intense nationalistic agricultural protectionism has been found to sum up as planned economy at its worst. The burdening of a majority for the benefit of a minority, the stifling of international trade. Volumes have been compiled to cover the subject of "World Trade Barriers in Relation to American Agriculture." Returning sanity suggests that these be torn away.

The Agreement holds out hope of better bread for the importing nations, better prices and freer movement for the exporters. If the underlying motive and principle can be made to work in wheat, one must ask why so limit it to wheat alone?

The right about face on the part of the importers is revolutionary enough, considering the somewhat fanatical spirit upon which nationalism has fed.

The importers agree that they will not encourage any increase in wheat acreage but will try to use more imported wheat, making better bread, and that they will begin to break down tariff walls at once, when and as the Liverpool price for wheat shall have maintained an average level of 63 cents, gold, over a period of four months; to modify tariffs, import quotas, milling quotas and similar restrictions. The price is roughly equivalent to about 90 cents in our own markets and of course is subject to exchange fluctuations.

It remains to be noted as one of the moving factors in bringing about this pact that a very large part of the European grown wheat is, colloquially speaking, "not so good." For example, England has subsidized her wheat growers and increased her production but only half of the wheat grown in her damp climate is millable and her entire production is only about one bushel in six of what the United Kingdom consumes. The wheat of France and Germany is too soft to make good bread—one reason why rye bread is so largely eaten in each of these countries.

The finest, most encouraging feature is the attempt at a degree of co-operation to allow the world to have better wheat, grown where it is best and most cheaply produced, in return for which consumers may be able to exchange that which they in turn can best and most cheaply produce.

This is one of the longest and most important steps in the right direction. If space permitted one to set out even sketchily the regulations by which attempts at self-sufficiency burdened the European budgets, put black bread on the tables, and in effect put the farmers on the dole growing wheat for an artificial price, when it could be bought for much less in Liverpool, it would become apparent at once how vitally necessary to world comity and amity the Wheat Pact is, and how imperative it is that it be carried out as a practical example of how to get world trade moving once more.

General Mills, Inc.

(*Continued from page 579*)

will afford a precedent for the future, consideration must be given not only to physical facilities and the company's trade position, but also to the management's policies. Since the company's formation, it has marketed its products aggressively. Radio, magazine and other advertising has called the public's attention to the high quality of General Mills' standard output and to the new specialties from which the company is deriving an added stability in profit margins and earnings. Moreover, by the maintenance of scientific and mechanical research departments, by the close control of processes, and by continually testing its products under commercial conditions, General Mills is keeping fully abreast of the times.

In all, this is an excellent augury and it would seem that the company necessarily make further progress. In the very nature of the business, however, this progress can hardly be very fast. But if speculatively-inclined stockholders are disappointed at the remoteness of the prospect of doubled earning power, there are many who will be gratified that the chance of the company's earnings being halved is equally remote.

The Outlook for the Offspring of Drug

(*Continued from page 581*)

of Life Savers were $43.63 or approximately 45% in excess of the dividend total indicated for the new stocks.

Investment Candidates

On the basis of trade and financial position, diversity of products and demonstrated stability of earning power, the shares of Sterling Products and Bristol-Myers appear to come closest to an investment status. Vick Chemical, originally a single product company, now makes "Vick's Cough Drops," "Vick's Nose Drops" and "Vick's Voratone Antiseptic" in addition to the original "Vick's Vaporub." Life Savers' products include "Life Savers," "Oradel" cough drops and "Pine Bros." glycerine tablets.

A glance at the leading products of Sterling and Bristol-Myers shows a variety of trademarks familiar to the public for many years, a fact which goes far to explain the stable earning power and high profit margin of these two companies. Sterling Products makes "Bayer's" aspirin, "Phillips Milk of Magnesia," "Fletcher's Castoria," "Caldwell's Syrup of Pepsin," "California Syrup of Figs," "Cascarets," "Danderine," "Diamond Dyes," "Three-In-One" oil, "Andrews' Effervescent Salts" and various other pharmaceutical and proprietary products.

Bristol-Myers makes such well-known and extensively advertised products as "Sal Hepatica," "Ipana" tooth paste, "Mum," "Ingram's" shaving cream, "Ingram's Milkweed Cream," "Vitalis" and "Gastrogen" tablets.

All of the four manufacturing companies are without funded debt, capitalization consisting simply of common stock. United Drug features "Rexall" and "Puretest" products, as well as other proprietary and pharmaceutical products, specialty goods, perfumes and toilet articles and a variety of drug store merchandise. Its retailing outlets are chiefly through the owned Liggett and Owl store chains and through some 11,000 "Rexall" agencies. Ahead of the common stock are $40,000,000 5% debentures, due in 1953, and $3,384,500 5½% bonds of the Liggett Building, Inc. The Liggett and Owl drug store chains are being operated in receivership.

United Drug Outlook

It is to be doubted that the long-term prospect for United Drug is as dismal as might seem to be indicated by the current market price of 11 for its shares. The difficulties of the retailing branch of the business in the last year have been common to many merchandising chains. Two factors account chiefly for the shrinkage in earning power. First, a severe decline in consumer buying. Second, inflexible overhead costs due to real estate lease obligations which could not be supported when sales fell to an acute depression level.

As to both of these factors it can be said that the worst has been seen. Both public purchasing power and the will to buy have increased, and retail sales of the company's subsidiary stores and agencies are sharing the general improvement in trade evident in recent months. Secondly, the eventual termination of receivership for the Liggett and Owl chains will leave these units with equitable and supportable leases.

As a partial off-set, payrolls will be substantially higher under N R A. The company's greatest difficulty, however, lay in the decline of sales from $41,411,000 in 1929 to $26,536,000 in 1932. With this trend reversed, plus lower leases for the retail stores and justifiably higher product prices in some instances, the increased payroll should not prove an insuperable burden. Indeed, given a continuance of general business revival, United Drug should experience a relatively early return to the profit side. For these reasons the common stock at the prevailing low price may be regarded as holding small risk and offering considerable speculative attraction for long-term buyers. United Drug's financial position is strong, current assets being $28,394,517, against $1,656,142 current liabilities.

The dissolution of Drug, Inc., does not mean any important loss of marketing outlets to any of the companies involved. Their profits derive largely from proprietary products whose names have become household words. Since buyers ask for the majority of these products by name they will necessarily continue to be stocked by virtually all chain and independent drug stores.

Bull Market in Gold Goes On

(*Continued from page* 573)

value it has today, which may be the cause, and is certainly visible evidence of a great world depression. But because gold will once again become the world's monetary standard, much value will always attach to it. In a word, it is only the excessive boom value which one of these days gold will lose; never its more fundamental value.

Probably the world will take its cue on stabilization from us, and this we cannot undertake until we have done whatever it is we are going to do with the domestic price structure. The dollar today is worth about 66 cents in terms of the old gold dollar, but if the President were to use the powers given him by Congress and cut the official gold content of the dollar to the 66-cent level, all the speculative froth on gold and other stocks, and equities in general, would blow off. Such property would tend to command a price in the new dollars merely some 50 per cent higher than the corresponding price in terms of the old dollars, any premium brought about by inflationary fears disappearing. This we do not want to happen as yet, despite the fact that it is untimately inevitable.

This is the general background into which the stocks of gold mining companies must be fitted at the present time. The background, however, in this particular instance is perhaps more important than such corporate considerations as capitalization, financial position, ore reserves, or even current earnings, although these last considerations must of course receive some weight. It might, for example, be noted that Alaska Juneau on the basis of earning power is given by the market a considerably more liberal appraisal than the majority. But by and large, so long as corporate factors stack up reasonably well and fly-by-night promotions are avoided, the individual who wishes to speculate in gold stocks can do so on the basis of the background.

Moreover, by extensive diversification among well-established companies he can speculate virtually in gold, rather than in gold mining—obviously bv all odds the easier course to follow. Though it be possible that a particular company strike a new vein so rich that its stock move up while the group as a whole move down, it is likewise possible—and this perhaps should be stressed more strongly—that a particular company run into some such local difficulty as fire, flood, or other adverse Act of God that would spell disaster. Gold mining is admittedly speculative

(Please turn to next page)

—more so today than ever—and therefore the safest participation in what remains of the boom in its shares should not be confined to one mine but diversified by the acquisition of stock in several of the best. Less concern need then be felt over indeterminable reserves and more attention focused on the more important gold price of commodities. When the rise begins here, is the time to sell.

Having decided by the purchase of three or four of the better gold mining stocks to speculate in gold rather than in a mining operation, one has taken a position according to the weight of the evidence. Gold stocks as a group are more than likely to move moderately higher, possibly much higher, depending upon how much more world currency—and more specifically U. S. currency—chaos we face. *But* watch gold commodity prices, not paper dollar prices, and above all keep an eagle eye open for currency stabilization, for, with this, the god, Gold, begins his journey back to earth again.

What Imminent Repeal Can Do

(Continued from page 571)

There is no basis for present estimation of state and local liquor taxation. New York State will collect $1 a gallon on hard liquors, 40 cents on sparkling wines and 10 cents on still wines, and in addition licenses for sale of liquors to be consumed on the premises will range from $750 to $1,500 a year. The municipal tax-seekers are yet to be heard from.

Marketing methods will be greatly changed and will vary widely in different states. Formerly the chief retail outlets were saloons. In 1915 there were 190,469 retail and 6,451 wholesale liquor dealers in the country. In many states steps have already been taken to bar the saloon and to forbid drinking of liquor on the premises where it is bought. In some, grocers, chain or otherwise, will handle packaged liquor. Montana, emulating the Canadian system, will establish state liquor stores, pocketing selling profits in lieu of taxes. State regulations as to dispensation by restaurants and hotels will vary widely.

Consumption and Taxation

This article does not concern itself with the present available supply, which has been discussed in a previous issue. As is well known, the supply of matured domestic whiskey will be inadequate for several years. Demand will be met by blending—the less polite term is "cutting"—both matured domestic whiskies and whiskies imported from Canada, England, Ireland and Scotland.

This point bears upon consumption and taxation. In addition to paying Federal and local revenue taxes, imported liquors will pay a duty of $5 per gallon for distilled products, $6 per gallon for sparkling wines and $1.25 per gallon for still wines. This source of additional revenue to the Government will likely be of considerable importance, although the probable amount can not be presently estimated.

With modern methods, blending at ratios of 3-to-1 or even higher is capable of producing a potable whiskey. It would be clearly possible, however, for excessive "cutting" and for high taxation to establish retail prices high enough to encourage bootlegging on a large scale. It is for this reason that a permanent question mark must be chalked up alongside of any estimates as to future legal sales and taxes. In New York State, for example, a $2.70 tax per gallon (combined state and Federal tax) would be more than three times the estimated cost of distilling a gallon of good whiskey. Drinkable gin, easier to make than whiskey, is now bootlegging at 75 cents a quart. Given high legal prices, this beverage may continue in the running.

In this connection it is worth pointing out that, because of its ease of manufacture and low cost, gin has experienced a large increase in popularity during the past thirteen years of prohibition. Prior to prohibition, along with rum and brandy, it lagged far behind sales of whiskey. Whether it will continue to claim a substantial patronage from the present generation of hard liquor drinkers remains to be seen. This is one of the speculative doubts on the business horizon for the whiskey distillers.

As above stated, the direct business importance of the industry is relatively small. Even before prohibition, the trend in manufacturing was toward steadily increasing concentration. Thus, there were 1,506 registered grain distilleries and 1,258 operating grain distilleries in 1901. By 1910 only 444 were in operation and by 1915 only 249. In 1932 six were in operation, under close Government supervision, manufacturing medicinal liquor. There were 2,478 brandy distillers operating on fruit juices in 1901 and only 446 in 1910. Distilleries operating on molasses increased from 9 in 1901 to 23 in 1915.

At the present time there are eighteen active whiskey and rum distilleries. A survey recently made by the engineering firm of Ford, Bacon & Davis esti-

mates that approximately 50 other plants are worth putting back into condition. Some of the presently active plants are being enlarged and modernized. Others may be purchased for trade names, without being put in operation.

No estimate is available as to the total possible expenditures for plant construction and modernization. It is not likely to be an item of general business significance.

Such gains in employment as the hard liquor industry will account for will probably be confined chiefly to the retailing end of the business. The number of selling establishments will probably be far less than the 190,489 retail outlets of 1915. While no basis of accurate estimate is available, it appears a reasonable guess that new retail outlets, plus stimulation of business in restaurant and hotel dining room, may account for upward of 100,000 jobs.

A high degree of mechanization tends to restrict employment in the manufacturing end. In 1914 434 distilling establishments employed 6,295 persons, paid annual wages of $3,994,000 and had a product output valued at $206,778,000. In 1919, 34 distilling plants had 1,380 employees, earning $1,716,000 a year.

In summary, the return of hard liquor is of business importance chiefly from the point of view of taxation. The revenue yield, Federal and local, will be of genuine importance if prices are not high enough to encourage survival of a bootlegging industry which, after thirteen years of experience, is by no means lacking in ingenuity.

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of Recent Date

	1933 Price Range				1933 Price Range		
Name and Dividend	High	Low	Recent Price	Name and Dividend	High	Low	Recent Price
Alum. Co. of Amer.	96	37¼	69	General Aviation	10¾	2⅞	7½
Amer. Cit. P. & L. B. (.15)	6⅝	2⅛	2¼	Great A. & P. Tea N.-V. (7)	181½	125	125¼
Amer. Cyanamid B.	15⅜	3¼	11⅞	Gulf Oil of Pa.	62	24	52
Amer. & For. Pr. war	13⅛	2⅝	6¾	Hudson Bay M. & S.	12½	2⅝	10¼
Amer. Gas & Elec. (1)	50	17⅜	23½	Humble Oil (2)	88	40	86¼
Amer. Lt. & Tr. (2)	26¾	12	13	Inter. Petrol. (1.12)	19⅞	8⅞	18¼
Amer. Superpower	9¼	2½	3	National Aviation	13⅜	4⅞	11¼
Assoc. Gas Elec. "A"	2⅞	1	1	Nat. Bellas Hess	4¾	¾	2⅝
Centrifugal Pipe (.40)	4⅞	2¼	3½	Nat. P. & L. Pfd. (6)	72¼	34	42
Cities Service	6¼	2	2½	Niagara Hudson Pwr.	16⅜	6⅞	7
Cities Service Pfd.	30	10½	14¼	Penroad Corp.	6⅜	1⅛	3
Colum. G. & E. cv. Pfd. (5)	138	68	93	St. Regis Paper	8¼	1½	3½
Commonwealth Edison (4)	82⅝	50	45	Salt Creek Pfd. (.80)	9¼	3½	6⅛
Consol. Gas Balt. (3.60)	70½	43¼	48	Standard Oil of Ind. (1)	33⅞	17	31
Cord Corp. (.20)	15½	4⅜	9¼	Stutz Motor Car	20	6⅝	6⅞
Elec. Bond & Share (6% stk.)	41⅝	10	15⅞	Swift & Co.	24¾	7	17⅛
Elec. Bond & Share Pfd. (6)	66	25	38¼	Swift Int'l (2)	32¾	12¼	26½
Electric Pr. Assoc. (.40)	12½	2½	5	United Founders	3	¾	1¼
Ford Motors, France	5⅛	3	4¼	United Gas Corp	6¼	1⅛	3
Ford Motors, Ltd.	6¾	2⅝	5½	United Lt. & Pow. A	9¾	2	3⅛

The Ultimate Consumer Is Ordered Into the Breach

(*Continued from page 568*)

psychology and breaking the ruinous downward spiral of decreasing employment and decreasing payrolls. The letup of the last two months in production is playing into its program of increasing payrolls relative to production value. But the increase in employment since March has been more due to the expansion of employment from increased production than from the efforts of the N R A. Production is the source of wages. It can not be allowed to decline far in volume if employment is to increase. What is hoped for is such an increase in autumn consumption that production can be increased without price increases. This is theoretically feasible, for industry can increase its profits without raising prices as its ouptut approaches capacity. But not if labor costs increase sharply.

That is what organized labor is now insisting upon. It is not content with the gains the N R A movement has brought to it, largely with the self-denying concurrence of employers, but is insisting on arbitrary increases in labor's share of production. The country seethes with strikes.

Capital is getting tired of financing recovery through the deferment of profits, to some happy time coming.

Labor refuses to help.

The Charge of the Consumers

The buck is now to be passed to consumers.

They are to be appealed to, to carry the load of readjustment by spending freely. But the burden of that appeal is to be the urge to buy now because prices will increase—and yet the N R A wants no specific advance in merchandise prices. What it counts on is a general elevation of price levels through credit or money inflation—on the realization of the President's promise to put price levels back to the 1926 plane. Now if such a fundamental shift is not realized in the near future the consumption drive will be accused of playing a confidence game on the public—and that will be the dismal end of the emergency equalization enterprise. Further recovery will then have to be left to the normal course plus such success as the permanent side of N R A—the codes—and the various other economic curatives sponsored by the Government may have in keeping production and consumption in balance. But the inevitable tendency there will be to place the emphasis on the restriction or repression of production. Barring the exhilaration that may come from effective inflation, the codes while operating to make recovery safe and sane may well delay the natural process.

So let us hope that the charge of the consumers' light brigade will—as it may in these strange times—smash the last strongholds of business lethargy.

"When, As and If" We Inflate

(*Continued from page 565*)

stock market acted on when prices crashed the next day; confirmed as it appeared to be by Secretary Wallace's Presidentially approved address before the National Grain Dealers Association, at Chicago, in which he declared that inflation and price fixing are not permanent remedies for economic ills.

But—the country knows well that it has a President who, while no vacillator, can change his mind overnight. Until he clearly reveals his position, doubt and hesitation will continue, capital will flee or hide and N R A reconstruction will go forward in a fog.

As I See It

(Continued from page 561)

with present government borrowing this is impossible. Moreover, despite present assurance of a limited issue of greenbacks, there could be no certainty that more would not follow. All fiscal history shows that one issue of paper money breeds another. As money cheapens and prices rise, the Government goes deeper and deeper into deficits and prints more and more money until finally the money becomes worthless. Government costs rise as fast as money slumps with the result that last year's tax receipts will not meet this year's bills. Always more money must be printed to make up for the further cheapening of cheap money. And what is true of the Government is true of the public at large. Yesterday's national volume of cash will not meet today's cost of living.

We went the whole route of fiat money ruin during and after the Revolutionary War and about two-thirds of it at the time of the Civil War. In a popular government, like ours, once the printing press financing mania takes hold of government and people, the descent to ruin is most difficult to check.

So far as any governmental action can right economic unbalance and restore business life to an even keel, we are now attempting it under N R A, the Agricultural Adjustment Act, the R. F. C., and other measures. A new standard dollar may hasten equalization of prices and will doubtless raise them. Such a new dollar is inevitable. We can not retrace the path followed since March. Some degree of cheapening of the dollar is fated, but it should be an act of stabilization, a final recognition of the de facto situation. It would close the doors on monetary insanity. The job would be done once and for all.

For Features

to Appear in

the Next Issue

See Page 557

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date

	Bid	Asked
Alpha Port Cement Pfd. (7)	70	....
American Book Co. (4)	40½	44½
Amer. Manufacturing	10	16
Do Pfd. (5)	55	62
Amer. Meter Co.	9	12
Babcock & Wilcox (2)	51½	55
Bohack (H. C.) Co. 1st Pfd. (7)	79	85½
Bon Ami, B (2)	30	....
Carnation Co.	15	17
Do Pfd. (7)	87	....
Congol.-Nairn Pfd. (7)	102	....
Clinchfield Coal	....	7
Do pfd	24	30
Colt Fire Arms (1)	16⅜	17⅛
Crowell Publishing Co.	19	21½
Do Pfd. (7)	83	87
Douglas Shoe Pfd.	16½	19
Dixon (Jos.) Crucible	40	48
Dictaphone Corp.	9	11
Fajardo Sugar	60⅛	80
Franklin Rwy. Sup	18	....
Gt. N. Paper (1)	25	27
Gt. A. & P. Tea Pfd. (7)	123	125½
Herring-Hall Safe	15½	19½
Howe Scale	1	2
Do Pfd.	5½	8½
Merck Corp. Pfd. (8)	98	101½
Macfadden Pub.	2⅛	3⅛
National Casket (2)	28	33
Do Pfd. (7)	89	92½
Newberry (J. J.) Pfd. (7)	84	88½
Ohio Leather (1)	20	25
Roxy Theatre Pfd. (A)	¼	1
Ruberoid Co. (1)	29	32
Safety Car H. & L. (2)	45	50
Savannah Sugar (6)	84	90½
Do Pfd. (7)	86½	95
Singer Mfg. Co. (6)	133	138
Standard Screw	46½	51
Stetson (J. B.) Co.	13	15¼
Do Pfd.	13½	16¾
Va. Ry	60	67½
West Va. Pulp & Paper (.40)	13¾	15¾
Do Pfd. (6)	81½	86
White Rock 2nd Pfd. (10)	135	....
1st Pfd. (7)	89¾	....
Young (J. S.) (6)	58½	....
Do Pfd. (7)	82	....

Sound Investment Policy for the Coming Months

(*Continued from page* 563)

probably, through enlarged direct lending by Federal agencies. One may well doubt that such a credit policy can be successful when monetary uncertainty itself remains an increasing cause of business hesitation and doubt. Even recognizing this probability, we must keep in mind that the credit-expansion policy is likely to be given further trial, that stabilization of the dollar at a new gold valuation is complicated by the fact that commodity prices have not yet reached the level desired by Washington, and, finally, that the broad recovery program—combining N R A, the Agricultural Adjustment Administration, the Reconstruction Finance Corporation and monetary manipulation—must necessarily be worked out in experimental fashion over a considerable period of time.

In considering our present situation in this light we see no foundation for run-away speculative markets. It appears probable that the first and most rapid phase of recovery is behind us. Future gains may be slower. It was not to be expected that they could proceed without interruption. Yet there is no justification for any major change of investment policy. It is true that inflationary gestures and inflationary talk appear to have lost much of their former potency in influencing the market, but the Washington policy is unchanged. All that has happened is that immediate speculative hopes have run ahead of that policy.

The basic fact, not to be forgotten by those who would protect the purchasing power of capital funds, is that the Roosevelt Administration has been committed specifically and definitely from the start—and is still committed—to the general policy of raising the average commodity price level to the figure of 1926. That policy involves many different attacks. We hazard the conjecture that the President himself probably conceives of the goal as being attainable only over a period of several years, certainly not within a period of months.

It is not a policy which justifies reckless buying of any common stock, without regard to price or current earnings. It *is* a policy which justifies, in fact demands, that the prudent hold firmly to tangible properties, including sound industrial equities, and that additional holdings be acquired with available surplus funds in any period during which market weakness offers advantageous levels for purchase.

Sometimes receding, sometimes drawing nearer, the inflation hobgoblin will remain with us in one aspect or another for many months to come, perhaps for a year or two. Its threats or promises—as one chooses to view the matter—conceivably may be translated into action when a Congress of present uncertain mood assembles in January and attempts to force the President's hand.

Even if the popular Mr. Roosevelt succeeds in keeping tight rein upon Congress, we leave the reader this final thought:

We are without question in a generally inflationary period, affecting the entire world economy. Everywhere, including this country, there is a burden of private and public debt unsupportable at present price levels. Through the device of an extraordinary budget, which does not alter the reality, we are steadily increasing the Federal Government's indebtedness and the interest charges thereon. There is no sign of an approaching end to the growth of this debt. If inflation be not voluntary and forced, it may ultimately creep upon us, shaped by the present course of governmental policy. In either event, and regardless of intervening set-backs, the underlying trend of tangible values will be upward.

What the Expiration of Surcharges Means to the Railroads

(*Continued from page* 578)

pensate for capital surcharges. In fact, indications point to a probability that the entire railway rate structure may be revamped in the not distant future—but that is another story.

For the present, however, and until the matter of inflation has become clarified, holders of railroad bonds and stocks must decide whether or not they are willing to retain such commitments in the face of the practical certainty that inflation will exert a retarding influence on the railroads. Even in the case of the soundest issues, the adverse effects of inflation are tempered rather than removed. One has only to recall the experience of railroads after the World War, burdened as they were by excessive material and labor costs and a rigid rate structure, to visualize the possibilities in the event of inflation. Additional comment upon railroad securities will be found in the article on page 562 dealing with a sound investment policy for the coming months.

In scanning the accompanying estimates of current earnings the reader should bear in mind that they are subject to the customary year-end adjustments and are presented primarily for comparative purposes rather than a hard and fast prognostication.

The Open Door

of the

NEW YORK CITY CANCER COMMITTEE

34 East 75th Street, New York, N. Y.

To this open door last year over two thousand people came seeking, and received, free advice and help.

Keep this door open in 1934.

You can do this by buying and using the committee's address labels, which are sold ten for one dollar.

The sale of these labels and voluntary contributions are the Committee's only source of income in its work of helping those victims of cancer who are unable to help themselves.

Will you help?

Pamphlets and other information are furnished free on request. Write or telephone to the address above, or, if you live outside the Metropolitan area, to the American Society for the Control of Cancer, New York, N. Y.

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